

# ANTILLEN REVIEW

Vol. 3 - No. 3

INGEKOMEN 27 APR. 1983 April / May 1983

NAfl. 6.00 / US\$ 3.50

**Breaking up  
the nation**

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**The RTC  
resolutions**

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**Curaçao's first  
citizen**

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**Seaga in trouble**

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**Admission to the  
Neth. Antilles**

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**Development Bank  
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## FROM THE EDITOR

Not even the most persisting ostrich kind of mind can escape the glaring truth that the Antilles in general and Curaçao in particular are moving along a downward path. On top of the effects of the worldwide recession, the de-facto devaluation of the Venezuelan bolivar has wrought havoc in the antillean economy. To be sure, the uninformed visitor to the islands may still be impressed by the exuberance of the daily scene and the many outward signs of affluency. But the cosmetics are beginning to wear off revealing unmistakably the symptoms of a disease which will take years to cure. Those who revel in doom-saying are having a heyday.

The question to be raised, however, is whether the economic decline must not first of all be placed in the perspective of the over-all economic situation on our globe. Basically it is not the Antillean economy which is failing. In fact it must be called remarkable that so much has been going so well while other countries were dropping back so rapidly and often disastrously. This is all the more striking when it is realized that the Antilles is highly dependent on the outside world having no natural resources of its own. Apparently the centuries

old focus on trade has created a reservoir of inventiveness enabling the islands to cope reasonably well with negative trends in the world around them.

If so this spirit should be promoted as much as possible, now that things are turning awry. In AR's opinion the greatest danger facing the Antilles, however, is not the recession but the attitude in some circles of denouncing free enterprise as the main culprit. But it should be realized that a healthy approach to business is not the same as capitalism in extremis. That truth should not be allowed to be snowed under by all sorts of semi-socialist theories brought back from the universities in Holland.

It is not enough for the world of business and industry to try and sell the Antilles abroad. A lot of efforts towards motivation will have to be undertaken within the country itself. It is on this score that the entrepreneurs and their organizations are failing. An omission which may in the end cost the Antilles its greatest asset: the gift to turn to its advantage the very same things by which it is threatened.

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## Braking up the nation or a masterpiece of cosmetics

*The setting was most historic. The occasion seemingly also. Having met for a full week in The Hague's ancient 'rol-zaal' to discuss the future status of Aruba all delegates to the R.T.C. filed out of the last and conclusive meeting expressing satisfaction with the results. Said an elated Ruud Lubbers, Dutch prime-minister: the die is cast. The Aruban representatives flew home to be welcomed by jubilant crowds and Antillean prime-minister Don Martina declared reassuringly that the Antillean political scene would from now on be freed from the paralyzing effects of the decades long strife between Aruba and Curaçao. On the face of it all the euphoria seemed justified.*

The date for Aruba's long desired status aparte was set. The Netherlands managed to lay down a number of conditions guaranteeing a continued co-operation between the islands and Curaçao freed from the odium of lording it over Aruba could start devoting all its energy to the pressing economic problems the island is increasingly facing. But when the full text of the RTC's resolutions became available many observers wondered how much has really been achieved. Too much, it seems, has been left to be decided later on. What has been agreed upon appears to be more of a psychologically pleasing nature than anything else. Admitted one of the delegates "it's all cosmetics".

Aruba will obtain its status aparte on the 1-st of January 1986. But the price it has been asked to pay is high (see pages: 11-13). It may be argued that the island will find itself more tied down to close cooperation with the other five in many fields than ever before. Failing to establish in practice the agreed upon collaboration it stands in acute danger of forfeiting its future commonwealth relationship to Holland.

There is, with a view to the past, little reason to expect that Aruba's leaders will not do their subtle best to get out from under the stringent conditions of an agreement they univocally regard as little more than a compromise justified by the situation of this moment in time. After all their delegation was left no choice when chairman Lubbers presented the RTC with his compromise proposal on the last day of the conference. But as a result the question what die has been cast and how firmly remains wide open. In particular as too much was left by the RTC to be worked out and agreed upon at a later stage between the Antillean partners.

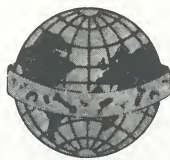
Prime-minister Don Martina's expectation that all attention can now be given to managing the declining economy, in particular of his own island Curaçao, may therefore be little more than wishful thinking. It appears more realistic to expect that Curaçao's leaders will need all their wits to prevent Aruba from pushing them in a situation where they can be blamed of obstructing the agreed principle of co-operation. An unfortunate implication of the enormous load of homework brought

back from the RTC. Mr. Martina is perfectly right with his call for all hens on deck but he may soon find himself again in a position of having to divert his cabinet's attention to matters correctly considered of less importance. The fact remains that Curaçao's economic welfare is not a first priority for Aruba!

The Dutch, magnanimously offering all necessary assistance to Aruba and the Antilles of the Five, have at least managed to shift the burden of decision-making to the Antillean partners. That and the determination of a date for Aruba's status aparte and independence 10 years later, are important steps toward terminating the relationship with the Antilles altogether. Although this may not be the liking of the majority of the population of any of the six islands, the objective of the Dutch is none other than accelerating the process toward full independence. From that point of view, they have every reason to be satisfied

with the RTC's outcome. From that same point of view one may doubt whether the guarantees given the four smaller islands imply that they can feel anymore secure about their relationship to Holland than the larger two.

Possibly the most important conclusion to be drawn from this RTC is that the Antilles is at least granted another 16 years to prepare itself for independence. The implied challenge of that conclusion makes it imperative for the islands to co-operate in such a manner that a viable future is ensured. To harbour illusions about continuing strong ties with the Netherlands into the next century may tempt the political forces to play cunning games with the RTC's unfinished work as hinted at above. Such an attitude might indeed break up the nation in more sense than one. If the RTC was a masterpiece of cosmetics, there is every reason to put a face to it. ■



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# The Resolutions

The Conference of THE NETHERLANDS ANTILLES, THE ISLANDS OF THE NETHERLANDS ANTILLES AND THE NETHERLANDS, held from March 7-12, 1983 in The Hague has arrived at the following conclusions:

1. Proceeding from the right of self-determination of each of the islands the conference accepts the decision of Aruba to exercise its right of self-determination this very moment by choosing definitively for independence to be realized in 1996. This date will be recorded in the STATUUT. The Netherlands will give its support to Aruba for obtaining recognition according to international law.
2. Prior to 1996 an evaluation conference will be held between the Kingdom and Aruba in order to possibly further consider the date of Aruba's independence with a view to the political developments between the nations of the Kingdom. This does not in any sense prejudice these political developments.
3. Aruba, once independent, is willing to exercise its sovereignty in certain realms jointly with the Netherlands Antilles on the basis of a bond of cooperation.
4. As a transition period to independence the Conference assents to granting Aruba the "status aparte" for a span of ten years, meaning the fully recognized position of nation within the Kingdom on the basis of the STATUUT, with observance of the provisions of paragraph 2.
5. This status will become effective as from January 1, 1986.
6. Obtaining the status aparte by Aruba implies that this island will leave the constitutional constellation of the Netherlands Antilles.  
The Antillean government and the remaining five islands of the Netherlands Antilles will make arrangements to take care of the consequences thereof both as regards legislation and as regards the constitutional structure of the Netherlands Antilles. The government of the Netherlands is involved in this process pursuant to its responsibilities resulting from the STATUUT.  
The delegation of Bonaire, Saba, St. Eustatius and St. Maarten went on record as having stated that agreement to arrangements to be made among the five islands may not be interpreted as their having exercised the right of self-determination.
7. During the period in which Aruba has the status of nation within the Kingdom the Netherlands Antilles and Aruba will co-operate within the structure of a Union of the Netherlands Antilles and Aruba.
8. The Conference resolves that the Union

of the Netherlands Antilles and Aruba, if it has functioned satisfactorily, will be continued after independence of Aruba in the form of an agreement based on international law.

9. Insofar as it does not concern matters pertaining to the Kingdom, provisions will be made in due time to enable the Netherlands Antilles, while still part of the Kingdom, to co-operate with independent Aruba in a wholly independent manner and without interference by the Kingdom and to enter into the agreements required therefor.
10. Aruba, once independent, desires to establish co-operation with the Kingdom within the framework of a commonwealth relationship sui generis in the following fields: development co-operation; cultural co-operation and education; the administration of justice; foreign relations and defence.
11. The Netherlands is prepared to co-operate with independent Aruba in the fields mentioned by Aruba. In doing so the Netherlands will adhere to the principles and terms formulated by the Dutch members of the "Gemengde commissie toekomst Antillen". (AR: Committee of Seven).  
Concerning the content and structure of this co-operation the Netherlands will enter into negotiations with Aruba well ahead of the date of the latter's independence.
12. The conference resolves that Aruba, at the moment it obtains status aparte, must be in possession of its own constitution, in which are contained the most important elements of the new Aruban body politic, and that furthermore it must have made the necessary provisions guaranteeing the continuity of legislation and administration.
13. The Netherlands and the Netherlands Antilles will co-operate towards amending the STATUUT of the Kingdom of the Netherlands, the Staatsregeling (Constitution) of the Netherlands Antilles and the Eilandenregeling (Islands regulation) Netherlands Antilles and other relevant regulations, as required for the implementation of the status aparte for Aruba. The amendments of the Staatsregeling will be realized in two Central Government ordinances, which will become effective simultaneously at the moment the status aparte for Aruba becomes effective. One of the ordinances is to contain the rulings concerning the secession of Aruba from the Antillean constitutional unity, while the other ordinance is to lay down the necessary restructuring of the new Antillean constitutional unity of the five island territories.

Point of departure for the new constellation of the STATEN (parliament) is that each of the island territories will be represented in the Staten.

14. All the tasks and competencies Aruba has to take upon itself when it obtains the status of nation within the Kingdom will be transferred to Aruba simultaneously at the moment the status aparte becomes effective. To this end Aruba and the Netherlands Antilles will in time take the necessary preparatory measures.
15. All the civil servants and other persons employed by the Central government on the island of Aruba will be given the opportunity to be transferred to Aruban service.  
Prior to the implementation of the status aparte Aruba will establish a compensation arrangement for those who do not make use of this opportunity, this in consultation with the government of the Netherlands Antilles and the union of civil servants. Aruba is prepared to contribute to the costs resulting from the necessary reduction of government personnel following upon Aruba's secession. In order to determine accurately the extent of the reduction in the number of civil servants a profound study based on a quantitative task-oriented reduction is necessary on short term. Prior to the implementation of the status aparte an arrangement must be made between the Netherlands Antilles and Aruba with regard to this contribution.
16. Prior to the implementation of the status aparte the Netherlands Antilles and Aruba will make the necessary arrangements to prevent that civil servants and other persons still employed by the central government and the island territory are adversely affected in their pension rights. For the pensions already in effect a similar arrangement will be made.
17. With regard to the inventory and the separation of property the conference stipulates as follows:
  - (1) A complete inventory of the assets and liabilities of the legal entity of the Netherlands Antilles shall be drawn up, comprising in any case the following items: the balance of the State of the Netherlands Antilles, the balance of the Bank of the Netherlands Antilles and of the government pension funds, the Post Office Savings Bank, the National Insurance Bank and the National Mortgage Bank as well as the guarantees granted by the legal entity of the Netherlands Antilles.
  - (2) The appraisal of the various components must as far as possible be effected according to objective standards established by experts. In the event that there are no such objective appraisal standards available, parties must arrive at the determination of value by calling in experts.
  - (3) As regards those aspects of the care of the government in which there will be no co-operation an actual separation of property has to be effected

at the moment Aruba obtains the position of nation within the Kingdom. As regards those aspects in which there will be co-operation an administrative separation of property has to be established at that same moment.

- (4) In the event that objective codes of separation are available for specific components of the inventory as for example the government pension funds, the Post Office Savings Bank and National Insurance Bank, these codes must be adhered to both with regard to the actual and the administrative separation of property.
  - (5) In the event that no objective codes of separation are available as for example for the balance of the State and for the balance of the Bank of the Netherlands Antilles, parties must reach an agreement through joint political consultation on the codes to be applied. If parties do not succeed in reaching an agreement a choice will subsequently have to be made between arbitration, the procedure and modalities of which will have to be agreed upon, or applying a code of separation established on the basis of the proportion between the sizes of the populations.
18. The conference resolves that the territory between the Netherlands Antilles and Aruba has to be delimited at the moment when Aruba obtains the status of nation within the Kingdom. This delimitation will have to be decreed by an Act of the Realm. The Conference advises the parties concerned to open the deliberations on this matter well in advance.
  19. The Conference resolves that at the moment when Aruba obtains a status aparte the Netherlands Antilles and Aruba will enter into a union in conformity with article 38 of the STATUUT on the basis of a union treaty by which all union bodies are regulated as well as all matters pertaining to this union.
  20. With regard to the structure of this union, its bodies and their authorities the Conference accepts the model as submitted in the report of the Gemengde Commissie Toekomst Antillen and in appendix IV of this report, with observance of the ruling of the next article.
  21. Draft Union-ordinances are passed in the Union parliament when a majority of the delegates of the Netherlands Antilles present and a majority of the delegates of Aruba present have voted in favour. To that end the votes of the Antillean and Aruban delegates will be counted separately.
  22. The Conference has decided that the following subjects will be considered to belong to the jurisdiction of the Union:
    - ( 1) the constitutional court;
    - ( 2) jurisdiction in the second instance by the Court of Justice of the Union of the Netherlands Antilles and Aruba as well as the regulation of the judicial organization;
    - ( 3) the constitutional rights;
    - ( 4) the adoption of the codes of civil law, of commercial law, of civil procedure, of penal law, of criminal procedure and (the ordinances) regulating the office of notary;
    - ( 5) the tele-communication on the understanding that a further decision shall be taken concerning the co-operation in the sphere of both public and civil law;
    - ( 6) aviation legislation, shared airline company to be established in joint consultation and those aspects of aviation policy which directly affect the competitive relations between the countries;
    - ( 7) the main outlines of foreign policy within the limits laid down in the STATUUT;
    - ( 8) the support and assistance of the islands with less resources (see also paragraph 28);
    - ( 9) the fiscal relations between the countries; (10) the maritime legislation in as far as not belonging to the prerogative of the Kingdom and with the exception of shipping registration and coast lighting (see also paragraph 23);
    - (11) the labour legislation as far as minimum legislation with a view to international obligations is concerned;
    - (12) the meteorological department;
    - (13) the basis legislation on the subject of national insurance (see paragraph 24);
    - (14) the exploitation of minerals found in the sea-bed;
    - (15) the monetary and economic co-operation (see paragraphs 26 and 27).
  23. A joint private corporation may at some time be established for the benefit of inter insular maritime traffic.
  24. The Conference resolves with regard to the national insurances that:
    - (1) by basis legislation is meant the legislation concerning the basis payments by virtue of national insurance;
    - (2) the basis payments will be the same in both countries;
    - (3) the basis premiums will be levied according to uniform rates;
    - (4) the effectuation, levying, collection and payment will take place on a national level.
  25. The Conference resolves that in anticipation of further studying of the agreements that have led to the present delimitation of boundaries it is agreed that at the moment Aruba obtains the status aparte the sea bed minerals will belong to the patrimony of the country on the territory of which they are located and that a treaty will be concluded between the Netherlands Antilles and Aruba on the distribution of possible net proceeds and on the appointment of representatives of the respective countries in the government agencies concerned on the principle of reciprocity.  
The agreement concerning the distribution of net proceeds and concerning the representation of the respective coun-

tries in the government agencies concerned and the manner of recording of the agreements made will be made part of the Union co-operation. Also in this case the principle of reciprocity will apply.

26. The Netherlands Antilles and Aruba have declared that they will exclude improper competition through government measures and that they will co-operate with each other. In working out this co-operation they will proceed from the following:
  - (1) For the mutual traffic of goods a zero rate will be in force and in accordance herewith it will be decided in joint consultation to levy uniform import duties including levies on import, economic levies and import duties in the form of excise duties (custom union).
  - (2) It will also be stipulated in joint consultation for what products a uniform "protective" economic levy will be in force. In granting this protection the following points of departure will be observed:
    - a. the goods concerned must be locally produced, that is the added value must amount to at least a percentage to be determined later on of the production price (principle of origin);
    - b. in granting new protective concessions the producers' interests (employment, contribution to the balance of payments) must continuously be measured against the consumers' interests (extra price increases, quality requirements);
    - c. a ceiling will be put to the height of the economic levies while in addition the duration of the protection will be decided upon by mutual agreement;
    - d. in granting the protective concessions the aim must be, insofar as the administration is able to exercise any influence thereon, a balanced distribution between the two partner-countries.
  - (3) At the moment that the existing concessions expire they will be checked against the points of departure as formulated above before deciding concerning extension or renewal.
  - (4) It will be examined if further technical agreements are possible concerning the way in which the mutual settlements will be stipulated for goods imported and levied in one of the countries and subsequently conveyed in transit to the other country, and vice versa.
  - (5) Furthermore there will be free mutual traffic of services, capital and persons exercising a profession. As regards the free mutual traffic of persons exercising a profession, the freedom of this traffic will not be infringed upon if in the framework of a possible admission policy conditions will be stipulated concerning the housing and means of subsistence of the persons establishing residence. A condition therefor, however, is the introduction of the possibility of



administrative judiciary so that negative decisions on applications for admission and establishment can be appealed against.

The possible registration of mutual traffic of capital will be dealt with in the provisions of paragraph 27.

- (6) With regard to taxation a distinction must be made between taxes which have a direct impact on the mutual competitive relations and taxes which are primarily directed at the individual citizen.

Taxes which directly influence the competitive relations must be based on joint legislation and must be subjected to uniform rates. These taxes include import levies, economic levies, profit taxes as well as the fiscal facilities granted to new and/or existing enterprises.

With regard to taxation aimed primarily at individual citizens, the countries have more autonomy in determining legislation and tariff scales.

Concording legislation and a certain differentiation of tariffs with regard to these taxes to be agreed upon later on, need not be in conflict with the endeavour to establish economic and monetary co-operation. These taxes include wage and income taxes and the new consumer taxes that may as yet be introduced such as e.g. real estate taxes.

- (7) The following point of departure will be observed in formulating the budgetary policy:

- a. the extent of the total budgetary deficit of the public services in one country must be limited to an amount which can be financed on the local capital market;
- b. monetary financing of deficits in the budget is in principle not allowed; it is, however, allowed to absorb seasonal fluctuations in the budgetary deficit through an appeal on the commercial banks to a certain level to be agreed upon later on (it may be considered to amount to a certain percentage of the revenues of the ordinary service);
- c. for as much after approval by the joint monetary authority and with consent of the Kingdom government an appeal is made to foreign capital market resources, it should be taken into account that the internal balance (labour market, the course of prices) and the (future) external balance (interest and repayment liabilities) must be maintained.

27. If both countries accept and adhere to what has been stipulated in paragraph 26, it may be assumed that an adequate basis exists for close monetary co-operation, even if a choice is made for two currency units.

In that case it must be determined before the status aparte is implemented what conditions must be complied with taking into consideration the monetary and economic co-operation. In any case it must be prevented that the two countries will compete with each other by means of

rate of exchange adaptations and discount policies.

In the event of two currency units also the unity of monetary policy must be guaranteed. To this end further rules must be drawn up.

28. The conference concurs that the Netherlands, the Netherlands Antilles and Aruba have an obligation towards the islands with less resources with regard to upholding proper government. These islands may not suffer adverse consequences as a result of Aruba obtaining status aparte. The Netherlands guarantees this through a re-location of the means for the development co-operation with the Netherlands Antilles and Aruba with observance of the ceiling set. In order to replace the present contribution of the Central Government to the budgets of the islands with less resources a solidarity fund will be established, the means of which will be contributed by the Netherlands Antilles, Aruba and the Netherlands.

As regards this fund, which will be of a public nature, the following has been resolved:

- (1) the distribution of funds will be done by the donor countries in consultation with the receiving island territories Bonaire, Saba, St. Eustatius and as long as required St. Maarten;
- (2) the input into the fund and the participation therein by the donors, the Netherlands, the Netherlands Antilles and Aruba, will be arranged before the status aparte of Aruba is implemented;
- (3) the financial control of the fund will be exercised by the Audit Offices of the donor countries;
- (4) the constitution and functioning of the fund will be regularly evaluated.

The above will be worked out in further consultation with all parties concerned.

29. Pursuant to the Union treaty the countries will regulate the following subjects as much as possible in an analogous manner (concording legislation):

- (1) the legislation with regard to Public Health;
- (2) the legislation with regard to the school curricula and with regard to the training requirements for teachers of infant, primary, secondary and higher (vocational) education.

30. The activities ensuing from R.T.C. will be organized in such a manner that the status aparte for Aruba and the Union of the Netherlands Antilles and Aruba will be established on January 1, 1986.

31. With observance of what has been agreed during the R.T.C. consultations will be started between Aruba and the Netherlands Antilles at short notice concerning the following questions:

- (1) in what manner Aruba will arrive at introducing its own currency proceeding from the monetary and economic co-operation as described in paragraphs 26 and 27;
- (2) in what manner a proper distribution

of property will be realized pursuant to paragraph

- (3) in what manner the provisions of paragraph 25 concerning the distribution of possible net proceeds from the exploitation of sea bed minerals will be executed.

In preparation of these consultations advice will be sought from three financial-economic experts, one of whom is to be designated by the Netherlands Antilles, one by Aruba and one by the two of them together.

32. A co-ordination committee will be installed with the task to attend to the execution of the resolutions adopted by the R.T.C. and to bring to a solution problems which may arise during the working out and application of the agreements made.

This committee will consist of four persons, to be appointed respectively by the Dutch government, the Antillean government in correspondence with the sentiments of the island councils of the insular territories of Bonaire, Saba, St. Eustatius and St. Maarten, the island council of Aruba and the island council of Curaçao.

The committee has to submit its reports to the governments of the Netherlands and the Netherlands Antilles, and to all island councils.

33. The Netherlands is prepared according to ability to give technical assistance to Aruba and the Netherlands Antilles with regard to the work resulting from the agreements made according to ability. ■

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*De Davelaar*

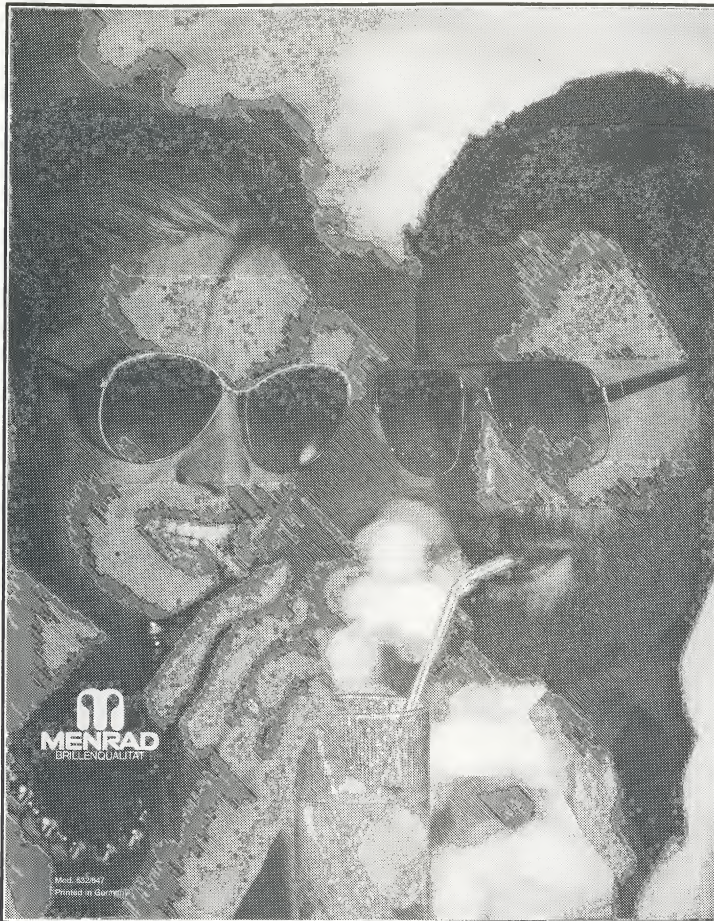
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# STATUS APARTE

## Freedom with Commitments

by H. Timmer

**Scepticism turned to surprise when it became clear that after a week of heated discussions and many adjournments the Round Table Conference about Aruba's future status appeared to be successful after all.**

The Arubans had gone to The Hague well prepared, knowing that this was probably their last chance to get the coveted Status Aparte. They were willing, if necessary, to accept fixing a date for ultimate independence, as less popular but in the eyes of the Dutch inevitable future status for all six islands of the Netherlands Antilles. They were hesitant, however, about the strict commitments and conditions formulated by the Committee of Seven (See AR.vol. no. . . .).

Strong and lasting ties with the other five islands and more in particular the strait-jacket of a monetary union were considered unacceptable conditions.

At the end of the week-long conference the Arubans achieved what generations of their people had longed for, yet not without having to accept a compromise much along the lines of the Committee of Seven's report.

### Compromise

The Aruban delegation left for The Hague fully intent upon getting as many concessions as possible with regard to the proposed economic and monetary union.

A drawback during the preparation period had been the lack of unity among the Aruban political parties themselves. The leading MEP continued the preparations on island level but refused to participate in the negotiations with the political parties of the other islands. The opposition did exactly the opposite. They hardly took part in the last rounds of

meetings on island level, but devoted all their energy to get all Antillean political parties around the table. Not only did they succeed in doing so – only the MEP abstained – but a surprising agreement was reached, binding all island representations to the RTC to take a joint stand at the conference. Without this unified stand the outcome of the



*Triumphant Betico Croes returns from RTC.*

conference might have been much less agreeable. Some of the concessions attained at the inter-island preparatory conferences, however, appeared to be untenable in The Hague. The Dutch stood firm, showing little inclination to deviate from the conclusions and recommendations of the Committee of Seven. After several days of heavy negotiating and near failure, Dutch Prime-Minister Lubbers saved the conference by introducing a compromise that appeared to be acceptable to all parties concerned.

### Yardstick

The most fundamental part of the agreement reached in The Hague is of course that Aruba will get its Status Aparte on January 1, 1986, followed by independence 10 years later or at a date to be agreed upon

during a next RTC. If at the time of that conference the relationship between Aruba and the Antilles of the Five appears to be strong and lasting, with good perspectives for continuation even after all the islands have become independent, the date for Aruba's independence may be postponed. The quality and the continuity of the relationship between

the islands will be the yardstick for the continuation of ties with the Netherlands. Aruba can extend its status aparte period and become independent with commonwealth ties with Holland, if the relationship with the other islands appears to work as agreed in The Hague. It should be observed that the commonwealth package is extremely important for Aruba – and in due time also for the other islands – as it includes guarantees for external defence and legal security, continued development aid and assistance with regard to educational and cultural affairs.

### Guarantees

Aruba had, of course, no choice other than to accept the compromise. The Arubans are certainly not in favour of breaking off relations with the Netherlands.

Over 10% of its population lives in Holland and a large part of the future leaders in business and government are receiving their education over there.

Creating a civil service as required by full independence would imply raising taxes and consequently less spendable income for the population. The island, moreover, would forfeit the necessary guarantees with regard to territorial integrity and could easily become a target in the geopolitical power play presently developing in the area. ■

The recent developments in Surinam are a timely warning that freedom and human rights can quickly disappear if the democratic system is too weak and unstable. With a transition period of at least 10 years and a commonwealth status thereafter, Aruba is no doubt much better off than it would be with a forced full independence in a few years time.

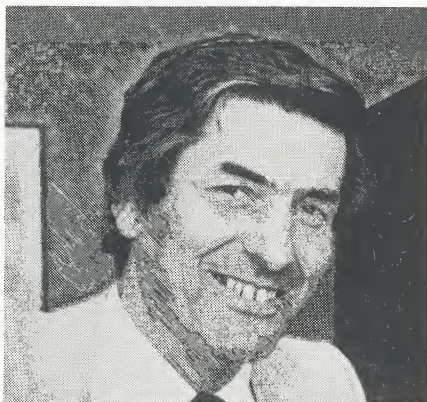
### Cost

The price Aruba has to pay for its status aparte is high. The condition of maintaining a strong and lasting relationship with the other five islands, as laid down by the Committee of Seven, has to be fulfilled. Legislation to a large extent has to be left to a Union Parliament, but as a safeguard both for Aruba and the Five no proposal can be accepted unless a majority of the Aruban delegates and a majority of the Curaçao delegates – each of these islands have 12 seats – vote in favour. There will be a Union Council of Ministers in which Aruba and the Five each have three ministers. Aruba also has to contribute to a so-called Solidarity Fund to help the four smaller islands.

### Union

Most problematic however is the economic union. Aruba had to agree to keep company taxation, import duties, investment incentives and protective duties at the same level as the Antilles of Five. This is to prevent unfair competition, especially in the realm of acquisition of new enterprises and stimulation of investments in general. Divergence in taxation will only be possible in those areas which affect the consumer, which means that a government can only use the income tax or real estate tax to increase its budget. Import duties or profit tax tariffs may only be adjusted with the consent of the Union partner. Although the exchange of goods between the islands is very small – much less for instance than the exchange of goods between Holland and Germany – the Dutch members of the Commission of Seven have from the start stressed the importance of such an economic union. In their view even a monetary union should be created.

Aruba succeeded to convince the



*Dutch Premier Lubbers compromise*

conference that this measure is not necessary. As a result the reserves of gold and foreign exchange will be divided and Aruba has the option to issue its own circulation money.

Again to prevent unfair competition by means of currency adjustments, it was agreed to coordinate monetary policies by setting up a permanent consulting body between the two central banks.

### Protection

Another important achievement attained by Aruba is the agreement to limit the protection of locally manufactured products. New protective duties will be limited to a maximum percentage and be levied for a fixed period of time. The protection of products of which a substantial part of the value has been added by a local manufacturer will also be limited. Existing protection tariffs will be adapted to the new standards when they expire, or as soon as the conditions of the present protection measures are not being met.

The exact level of protection and the percentage of the value added requirement are some of the points that have to be settled before January 1, 1986. Other issues to be agreed upon before that date are the apportionment of the gold and foreign exchange reserves, the contribution to the Solidarity Fund and the partitioning of eventual oil profits in case Aruba or the Five might discover marketable quantities of the black gold.

### Consensus

The all important question is: will the new relationship work? Can it remain strong and lasting? The answer is simply: it has to! There is no

alternative nor for Aruba nor for the Five. It will certainly not be a rose garden, a lot of compromises will have to be made.

The commitments agreed to imply that in many cases the partners will have to govern by consensus. The Union Parliament will have to endure many marathon meetings to reach consensus, much similar to the meetings of the European Community ministers in Brussels. But it should be remembered that our present legislative body, de Staten, is not exactly an example of efficient governing either. In many instances island representations have blocked certain decisions. No doubt this will be repeated in the future Union Parliament. But in general it may be expected that the Union Parliament will function.

### Limitation

The economic union will not run into problems as long as both Curaçao and Aruba have sufficient foreign reserves and manage to maintain a healthy balance of payment. For Aruba this means that Lago must remain profitable and tourism must continue to flourish.

In Curaçao the off-shore sector must at least be able to hold its present position, tourism will have to be reactivated, Shell and the Curaçao Drydock should at least get back to a break-even position and ALM must be kept in the air without losing millions of the tax-payers' money.

If these conditions are not met, drastic measures will have to be taken.

The economic union and monetary co-operation as conceived at the RTC will be able to survive such measures, but it should be realized that the tools for correction are limited. Devaluation for example will not be a useable tool unless both Aruba and the Five are in big trouble. A situation which may develop if the drop in Venezuelan tourism cannot be replaced by growth in other markets. The cheap currency of Mexico and the recent devaluation of the French franc are creating tremendous problems for our hotel industry. Prices in Mexico, Guadeloupe, Martinique etc. have gone down considerably. Keeping our rates at the present level may not be enough to give us a larger share in the market.

**Challenge**

But if only one of the partners has balance of payments problems – too much foreign exchange going out and little coming in – and consequently is using its reserves to pay for imports, the problem cannot be solved by devaluation. It should be understood that in our situation devaluation will only score effect if first all adjustments of wages to the cost of living would be forbidden by law.

Without such a law – or a consensus of all labour unions to accept a freeze of wages voluntarily – any devaluation of 10% would mean an increase in the cost of living of 10%, which in the present adjustment system would mean 10% higher wages. The measure would be useless, therefore, without a wage freeze. There are of course other ways to react to a shortage of foreign exchange. Wages can be reduced in order to limit the purchasing power, which automatically results in less imports and also gives enterprises a chance to make a comeback on the international market. Another possibility would be to forbid or limit for

instance the imports of cars for a certain period of time. This would save a lot of foreign exchange but would not make the hotels, the Dry Dock or ALM anymore competitive. Ours is a very open economy. Over 90% of what we need to survive is imported and very little can be done to change this situation. More import substitution is hardly feasible. We have to find purchasing power for our goods and services abroad to get the foreign exchange needed to pay for our imports. We must always be aware of the fact that our guilder – be it the Aruba guilder or the Antillean guilder – is real money only as long as it is covered by gold and foreign exchange.

This is a sobering reality but there is one positive factor involved. In many countries lower purchasing power means less sales by local manufacturers and stores, which results in more unemployment and a further decline of the national economy. In our situation 90% of the loss of purchasing power hurts other countries and other economies. Our economic viability can therefore be

resorted by reducing wages, which will make us more competitive on the markets where we sell our goods and services.

In summary, the agreement reached in The Hague gives Aruba a lot more freedom as well as the promise of a future independency, but it is a freedom with commitments. The commitments will have to be followed in good faith, compromises and adjustments will have to be made, but the roadblocks both for Aruba and for the other islands together will be minor compared to the enormous task ahead of making our economies viable again. Blows like the devaluations in many countries, worldwide recession and failures of important companies will be much more difficult to overcome than the upcoming changes in the political structure of the Netherlands Antilles. ■

March 1983

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## BONAIRE

# CATCHING THE TOURIST'S EYE 1982 A RECORD YEAR!

U.S. tourism to Bonaire reached a new high in 1982 with 11,357 visitors, an increase of 10 percent over 1981, the Government Tourist Bureau recently announced.

The total number of visitors increased 5.3 percent to 30,229 with scuba divers accounting for some 28 percent of that total. This last figure indicates that Bonaire has now placed itself firmly on the map of scuba diving.

Mr. P. N. Tromp, head of the Tourist Bureau, pointed out that tourism to the island has quadrupled since 1972. Prospects for 1983, Tromp said, are promising. Certainly the island's tourism industry is making a real effort to make a stay on Bonaire even more attractive than before.

### Comfort

Hotels and other Bonaire properties catering to tourists plan various improvements during the year. The government-owned Hotel Bonaire will refurbish its lobby and improve its grounds. The Flamingo Hotel plans an upgrading programme for its public areas and the upper floor of its waterfront wing where additional deluxe features will be added. The Habitat bungalow complex, which caters principally to divers and snorkelers, has recently completed a full service dive shop which includes a lab for black-and-white and color processing. Bonaire Tours at Hotel Bonaire has just added a fourth dive boat which is also equipped with water ski tows, and Dive Bonaire at Flamingo Beach continued to expand diver services.

### Disaster

This positive news does offset at least to a certain measure the

Flamingo Paradise disaster. Bad management at the Banco de Trabajadores (Venezuela), the principal financier of the project, caused an official ban on foreign investments. As a result the first sight visitors to the island are confronted with some half finished



buildings on a flat arid area symbolizing that typical Caribbean phenomenon of the ghost project. But once past that sad and ugly view the tourist is soon captivated by the renowned charm of what is commonly called the Flamingo island.

### Wine, dine and dive

A charm which has been greatly enhanced during the past year by the establishment of a number of

attractive restaurants offering visitors a variety of possibilities for spending their evenings. During January of this year the island got its first nightclub, a completely redesigned version of "E Wowo", formerly discotheque. Dinner dancing is to be introduced in at least two restaurants during this coming summer.

With the arrival of the summer season prices too will drop considerably. In the larger and more deluxe hotels rates will come down 30 percent from winter levels. Rooms average from US\$ 40 to US\$ 60. Attractive scuba packages are offered including 7 nights accommodations, a six-dive package and unlimited air for just over US\$ 400. Diver MAP's range from US\$ 23 to US\$ 28 per person.

A new feature on Bonaire's tourism menu

are the special honeymoon packages offered from April 10 through December 15. Honeymooning under the surface of the blue Caribbean sea may well become another of Bonaire's original attractions. In any case the romanticism of the idea befits the island and testifies to an imaginative promotion policy. ■

# First Citizen Ronny Casseres

## *Outspoken, strongwilled, progressive*

### INTERVIEW

Checking into the lieutenant-Governor's schedule of appointments one would believe it covers the time-table of three different people. In a way it does, as the Lieutenant-Governor of Curaçao has three main functions. He is the President of the island's Council (read Parliament), the leader of its Government and the head of the local Police Force.

On any given day he has to attend to the duties involved in this threefold task.

Glancing through his February working schedule we found out that he talked with boys scouts about their fundraising activities for participation in the next Jamboree, discussed the admission of foreign workers with some of his advisers, listened to arguments about the request for the issuing of a licence concerning a retail store, held a public meeting of the Island's Council on the Round Table Conference, talked with the local political parties about an orderly course of the political campaigning for the April elections for a new local Parliament, swore in a new medical doctor admitted to Curaçao, discussed security measures with Police officials with regard to the visit of the Venezuelan President, shook hands with a visiting Japanese Ambassador who was eager to meet the island's first citizen, talked with the Association of Physiologists who think admitting more of their kind would hurt their own living and working conditions, discussed the problems of prostitutes and illegal workers from the Dominican Republic with the Consul-General of that country and even was subpoenaed to appear in Court, as one of the political parties considered it an injustice to pay for filing

candidates for the elections and to collect a certain number of signatures before the list can become official.

Ronny Casseres won this case. And he seems to be winning other ones as well, as he went into his sixth month in office.

#### No dictator

He now has a clear view of the job and he admits he does not exactly like the way he has been obliged to perform. "I don't feel like a ruler. There are too

the fact that he has been appointed by the Queen. He would have felt a lot better if he had been elected by popular vote. Although the Government picked me as the number one candidate, I am the personification of one of the last remnants of colonialism, he proclaims loudly, adding that there are, somehow, checks-and-balances which off-set the anti-democratic looking status of his function. Like the fact that his policies and decisions are being tested severely by the members of Parliament, and furthermore: a very critical "watchdog" press. "There is no way you can act authoritarian nowadays in this job", Casseres says.



#### No to St. Nicholas

At the end of last year he was bitterly attacked in the press, when he refused to receive St. Nicholas on his traditional "overseas" arrival in Curaçao. For the first

time ever a lieutenant-governor refused. "I will do so again if they ask me this year", Casseres says. He is a stubborn man who abides by his principles: "I still and always will maintain the view that I will not allow myself to be misused for commercial purposes", he explains, demonstrating that he does not permit room for discussions about the subject. Still, he does not mind to express his views in a more comprehensive way: "I attended several real nice St. Nicholas parties in Holland. But the nature of the festivity is different there. In the Netherlands it means making a fool of one another, writing crazy rhymes about other members of the family. It is a cozy indoor party. But in this country it is only a foolishly dressed man handing out presents, leading others, maybe even more

many decisions made ad hoc, lacking clearly defined policy lines and aims," he explains. It proves Casseres is a man of law rather than force. He therefore takes pain to explain he is not a dictator, in particular in his job as president of Curaçao's Government. Within named institution, Casseres has one vote, like all other members of the Cabinet. At best I'm the conductor, he says, stressing that it would be impossible for him to perform well without the co-operation of each and everyone of the other dignitaries, people with differing political beliefs.

Casseres does not hide the fact that he belongs to MAN, Movemento Antiya Nobo, Curaçao's, even the Antilles', largest political party. But he resents

leading others, maybe even more



strange looking, who are the "hangmen." It is white against black, white representing the good things, black the evil ones. I cannot stand that in a country where the coloured population is the underdog. And besides, as an educational counsellor, I think we should give our children the best of toys and not the junk they sell nowadays."

### Pedagogics

Indeed, Ronny Casseres is supposed to know. He has a pedagogical background. For five years he studied at the Teachers Training College in Holland, for three years he was a teacher of pedagogy in Curaçao, for four years inspector of teachers' training of the Department of Education, for three years Deputy Head of the Educational Advice Department. Before his appointment as Lieutenant-Governor, he was Minister Plenipotentiary of the Netherlands Antilles in the Netherlands (December 1979 to October 1982).

He does not hide his educational expertise when he lectures about the independence of the Netherlands Antilles: "I don't see or feel the presence of the Dutch in our every-day life. The only changes independence will bring, are in our Presidency, foreign relations, nationality and defense.

Development aid? We will keep receiving that and probably from other nations as well. The 120 million guilders Dutch aid for the whole of the Antilles do not exactly represent a large amount of money. We surely will become independent, the bigger islands probably at a faster pace than the small ones. But at the moment, it would not be wise to choose for independence. From a psychological point of view our people are not yet prepared for it. Independence now would cause destabilisation within our small community."

### Progressive

Just as outspoken as he is on the matters he touched already, he also speaks about his political views. He does not care too much about being called leftist, but hastily adds he prefers to be labelled progressive. Principles and ideologies of other countries frequently are not appropriate for the Antilles, he says. "Our

economic structure is based on capitalism. If you really consider yourself a die-hard socialist, you can — for example — hardly accept the offshore business. But what would Curaçao be without it?"

Casseres philosophizes further: "Since our nation came into existence, we thrive on trade. People of all sections of the community invest a dime to try to get a quarter. Making a quick buck is part of the nature of the Antillean people. But in this respect we must change our attitude. We will have to work long and hard to increase national production. This is a slow process, which does not generate immediate financial revenues. But we will have to follow this path, if we strive to achieve economic independence. A tremendous amount of foreign exchange is being spent on goods and products, which we can produce here ourselves. But it will not be easy to change the minds of the people. Don't forget: the "quick buck" attitude already exists for centuries and dates back to the time when slaves were brought here and pirates roamed along our shores."

### Rules to abide by

In more than one way he sounds progressive as he keeps hammering away at attitudes: "I honestly believe we must change our lifestyle. Till now we could allow ourselves a large amount of luxuries. Some of us even can afford maids and pay them low salaries."

He angrily shows me an ad in that very evening's newspaper, asking for the services of a live-in maid, who must work fourteen hours a day, six days a week. "You'll see", he says, "very soon from now, they will stand on my doorstep, complaining they can't find a housekeeper and file a request for one from the Dominican Republic."

The 43 year old Lieutenant-Governor apparently thinks he has to carry this case to the people himself, because one of his goals is to follow a very strict policy in admitting foreign labourers to Curaçao. He thinks the local labour force must be solidly protected, in particular when qualified nationals can do the job. "Before I became Lieutenant-Governor, people from abroad just came in and started to work before a working permit was issued. But let it be

known from now on, that rules are made to abide by. It will take some four months before the procedures are concluded and before that time the person involved will not be allowed into the country."

### Another goal

He seems equally determined, but less sure that he can achieve yet another of his priorities: trimming the bureaucracy and making it more effective. He admits the problem is not typical for Curaçao, but thinks something really must be done to have the Government's labour force perform well. "If I get an advice one month after I asked for it, I am really surprised it went so fast that time", he concedes.

Casseres is a very strong advocate of introducing the lingua franca of the Antilles, Papiamentu, in the educa-



tional system. Out of nationalistic, but maybe even more for didactical reasons. He points out that the Dutch language has virtually been eliminated in the Netherlands Antilles and that nearly all forms of communications are being conducted in Papiamentu. "The school children, of course, will be taught foreign languages as well", he tries to explain. I try to lure him into a more reasonable position and observe that, in one in the Antilles in the very near future. He insists it must be Papiamentu.

I don't agree with him when I leave and shake his hand. But I realize that I just met a man who knows what he wants, in particular for his island. A refreshing experience. ■

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# Promoting self-reliance

*Civil servants travelling hundreds of miles to discuss development projects thus involving local populations in the decision making process concerning their own economic, social and cultural development. The creation of Planning Committees for the purpose of informing all citizens about projected programmes. A constant evaluation of objectives in relation to changing situations, needs and circumstances. In brief: discussing, planning and executing development programmes in close co-operation with the local people, who by right have the first and ultimate say about the development of their own community, is the express policy of the Department of Development Cooperation based in Willemstad, Curaçao.*

*Employing a staff of approximately thirty people the Department is one of the smallest of development institutions in the entire world. Schumacher's "Small is beautiful" does certainly apply in this case. A high degree of expertise and down-to-earth motivation characterizes the operation. Meeting Deputy Director Hugo de França, urban planner Ralph James and development economist Herman de Nie, AR is impressed with the spirit of involvement reflected in their performance. A rare blend of civil servants, indeed!*

The Department's field of action consists of the three Windward Islands and Bonaire. Explains Mr. de França: "our assignment is to assist the four smaller islands of the Netherlands Antilles, which in contrast to Aruba and Curaçao do not have their own Planning Departments for development programmes". The wording is well chosen. The guiding principle by which the Department operates is the right of the populations concerned to determine their own future in terms of development. It sees its role principally as that of an adviser and consultant. The basic choices have to be made by the islands themselves, according to Mr. de França. This approach is a marked deviation from the general policy followed by Central Government Services in the past. Rather than continuing to foster the spirit of reliance on far-away Willemstad, the Department has chosen to promote the concept of self-reliance.

## Approach

This policy implies yet another change of course. Until recently most development projects on the Windward Islands were of an ad hoc nature. The Department now endeavours to create a situation in which each separate project fits into an over-all planning of each island's development. For that purpose theoretical models, which have been applied successfully, are studied and tailored to the needs of the individual islands. Says Mr. de Nie: "development planning presupposes vision with regard to the future". He further explains that new ideas with regard to development are only born after a proper analysis of the economic,

social and cultural situation has been undertaken. And that is exactly what the Department set out to do first. The evolving new concepts are then discussed with the local planning committee, which consists of motivated citizens and has as its task advising the insular government with regard to the latter's decision-making. The planning committees are encouraged to involve the population of their island in order to arrive at a general endorsement of the development programme.

## Finance

Formulating such programmes does not yet mean that they can also be executed. Money and manpower usually constitute formidable roadblocks. Another aspect of the Department's activities is to con-

vince the Central Government of the need to support the designed programmes. The Government in turn has to find ways to secure the necessary funds, either from the Dutch Development Aid programme or other sources.

Mr. de Nie is anxious to point out that the aspect of "follow up" should constantly be kept in mind. An aspect which has often been neglected in the past. Providing people with a road, he correctly points out, without taking into consideration the matter of future maintenance, has little to do with development.

Urban Planner and Building Engineer Ralph James stresses the fact that the people of the smaller islands have the same right as the larger ones, which implies that they should have equal living conditions.

## Contact

In order to comply effectively with its consultancy task the Department of Development Cooperation has appointed a Programmer for each of the islands. The programmers visit "their" islands frequently, in fact several times a month.

These visits serve at least two purposes. The Department's staff is thus kept in close contact with the islanders themselves, which in turn enables the latter to let their voices be heard. Secondly the Department is regularly provided with the latest data needed to evaluate the progress and consequences of each project and if need be to adapt the endeavour in time.


Impressed by this modern and effective planning of the development of what may be called the rural areas of the Netherlands Antilles, AR has decided to focus in its next issues on the way the three smallest islands of the country set out to meet man's greatest challenge: planning the course of social and economic development with a view to the generations to come. ■

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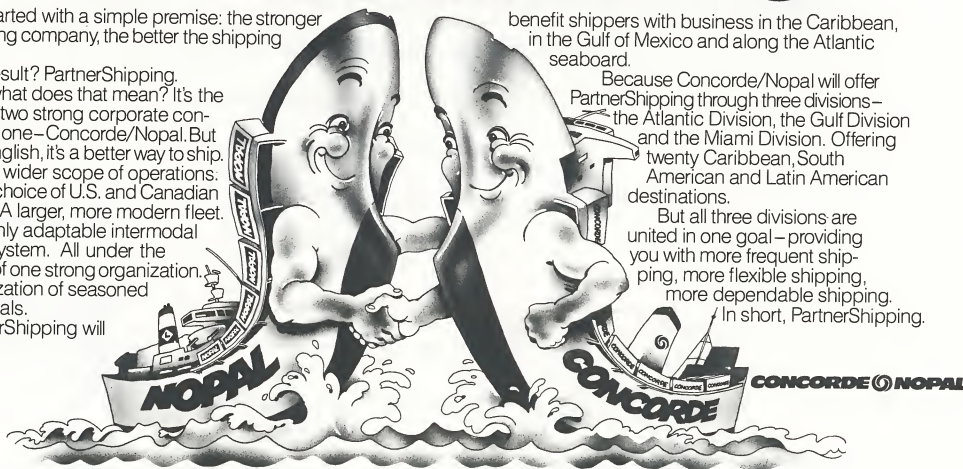
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# Economic survey

by H. C. Beers

## INTRODUCTION

*The devaluation of the Venezuelan Bolivar meant another blow for the already shaken economy of the Netherlands Antilles. Caracas adopted a three-tier system; two fixed rates and a floating one.*

*However, the confusion continued. Mid-March the floating bolivar quoted 9 per US\$, meaning a devaluation of about 110% of the old value of Bs. 4,30 per US\$. As a result Venezuelan tourism disappeared, damaging trade, hotels and restaurants, as well as the national airline ALM.*

*Shell Curaçao reported a very disappointing loss of f 158 million for 1982. A small growth of refined barrels sold was not sufficient to compensate for the reduced selling prices. Besides, the profits on stocks turned out to be substantially lower than the previous year.*

*As a contrast Lago Aruba is operating at a profit, which is estimated to exceed f 300 million for 1982. The strike of 800 workers at Lago came to an end.*

*The Curaçao Drydock Company continued to experience a lack of sufficient ship-repairing orders. The future for this important enterprise in terms of foreign exchange earnings and employment is very bleak. A large part of its personnel will have to be laid off.*

*The negotiations with the U.S. authorities on a new tax treaty were postponed again. No solution has yet been found for the existing problems, so the future of this sector remains uncertain.*

*Despite these unfavourable developments the foreign exchange reserves stayed at a high level, while the inflation rate turned out to be fairly low.*

## Bolivar devaluation

After a week of conflicting views the Venezuelan authorities adopted the worst of all possible measures: a three-tier system of two fixed rates and a floating one. Essential imports and debt service payments can be made at a rate of Bs. 4.30 per US\$; a Bs. 6 rate will cover other necessary imports and a floating rate of initially Bs. 7.50 will be used for all other purposes. Besides, domestic prices of all goods and services are frozen for 60 days, even when imported at the higher rates.

The measures are intended to stop capital outflow, stabilize the bolivar at a new rate, reduce the inflationary impact resulting from the devaluation, decrease interest rates and stimulate the economic recovery. However, the more complex the system, the more opportunities for corruption. The bolivar will certainly remain under pressure for some time.

The bolivar devaluation was another blow for the Antillian economy, in particular for Curaçao. Yearly more than 100,000 Venezuelans pay a visit of 3,5 days on the average to Curaçao. For Aruba the number is 50,000 with an average stay of 5 days. After the announcement tourism from Venezuela disappeared, thereby further damaging the

tourist and trade sector as well as the national airline ALM. All charters were called off and even the regular flights showed empty seats. The easter holiday season will be very quiet, although some hotels reduced their prices to the low off season level and are accepting bolivars at the above market rate of f. 0,25.

The island economies of the Netherlands Antilles have to react properly to absorb the unfavourable consequences. It is not acceptable to sit down and wait to see how far unemployment will further increase or whether somebody is willing to make the necessary investments to alleviate the labour situation.

It seems that the wage level is already fairly high on all our islands. Especially in Curaçao, where most of the necessary companies are established, such as Shell, ALM, CDM, hotels, trade.

The business sector will benefit from a restricted growth in wages. A government policy on income and wages is needed now, aimed at restoring our competitive position. Such a policy can differ per island, business sector, season and age group. The efficiency also has to be increased in order to reduce expenses per product, including services. These measures need a considerable consultation between the Central and island governments, as well as representatives of

the business sector and the labour unions.

## Foreign exchange reserves

The net official reserves with the Central Bank amounted to f 345 million at the end of February. This level is fairly high compared with January (f 340 million) and the end of last year (f 334 million). The gross figures of the official reserves showed a remarkable development. During the first two months of this year foreign claims grew from f 334,1 million to f 350,4 million, while foreign liabilities surged from f 0,1 million to f 5,4 million. These liabilities consist of deposits made by non-residents such as foreign banking institutions. The reason why these non-residents are maintaining such high balances with the Central Bank has not been explained.

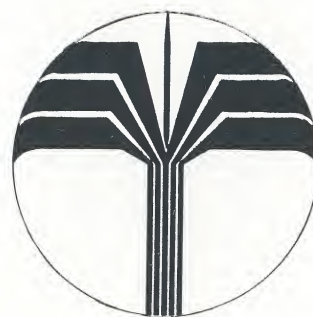
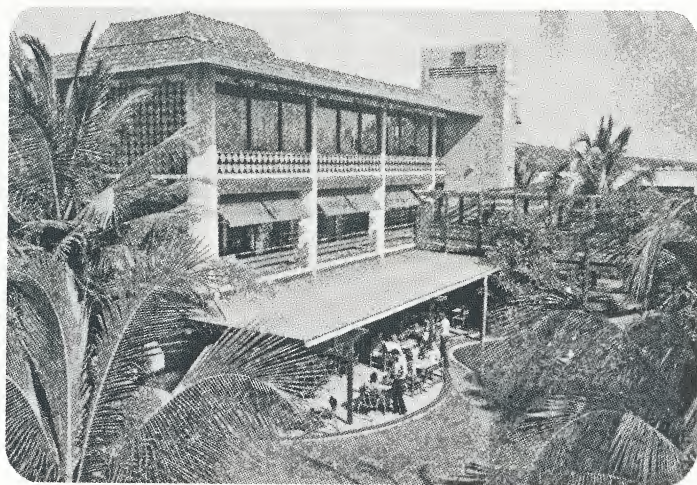
Compared with the corresponding periods of last year the surplus in the balance of payments amounted to f 80 million at the end of January and to about f 70 million at the end of February. During the year 1982 a surplus of f 90 million was recorded. When calculating these amounts the net official reserves are increased by the net foreign assets of the private banking system, which held almost f 83 million at the end of February 1982 against approximately f 45 million this year.

## Banking sector

The condensed balance sheet as published by the Central Bank showed some deferring developments. At the end of February, the banks maintained deposits to a total amount of f 101,5 million, suggesting a very high liquidity ratio for these credit institutions. However, at the same time the statement showed the lending to banks of f 1,5 million. This lending was not the traditional financing of the end of the month, but started mid-January and lasted during February reaching a total of f 5,6 million on February 28. Obviously, part of the banking system is not so liquid and is not able to borrow from other banks, but had to pay the relatively high price of the Central Bank's lending rate of 10%.

The high liquidity of the other banks indicates that investments, a major source of employment and foreign exchange, are not growing favourably. In view of the difficult economic circumstances the business sector is unwilling to invest in new projects and prefers to deposit the money concerned at the banks, which in turn increased their balances with the Central Bank. As far as these balances involved overliquidity, the Central Bank was willing to pay an interest. Recently the Central Bank held discussions with the private deposit banks to reduce the interest percentage paid.

Effective March 15 the Central Bank reduced its official discount rate from 9%



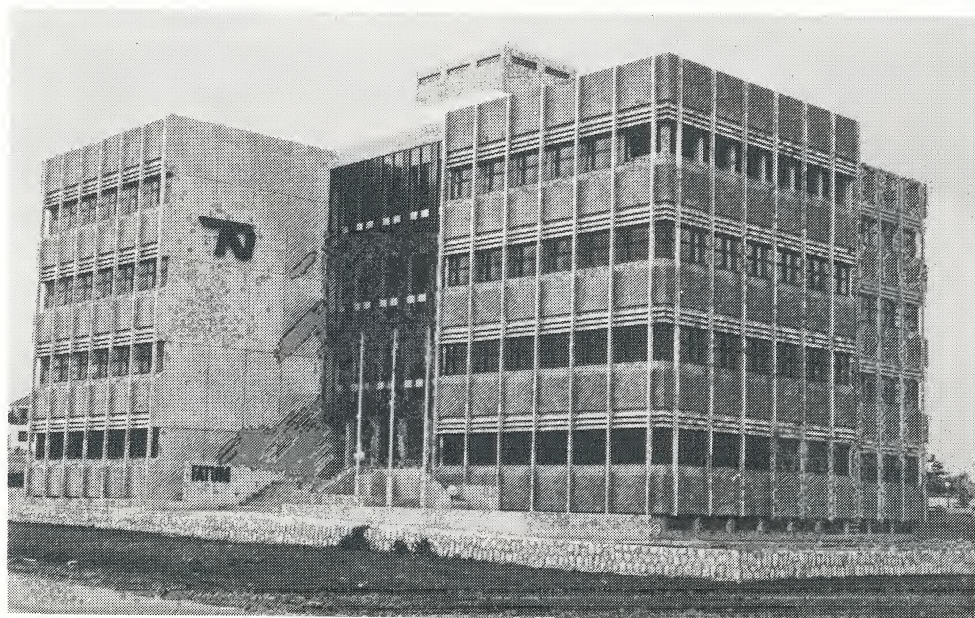
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to 8% and its lending rate from 10% to 9%. This was done in view of the unfavourable domestic economic developments, which is an obvious reference to the impact of the devaluation of the Venezuelan bolivar on the island economies of Curaçao, Bonaire and Aruba. The falling trend in international interest rates also accounts for this decision as well as the above mentioned over-liquidity of the domestic banking system and the need for productive investments.

However, the over-liquidity will probably keep the banks from passing on this drop in interest rates to their debtors. The immediate effect is then only a fall in deposit rates. In such a case the effect on credit extension is merely symbolic. The Central Bank has to use heavier instruments to compel the banks to reduce the price of credit in order to stimulate the economy.

### Shell Curaçao

Shell Curaçao reported a record loss of f 158 million for 1983. The growth in the quantities sold was not sufficient to compensate for the falling selling prices. Furthermore, the profits on stocks decreased substantially. To finance its high investments during 1982 Shell Curaçao borrowed an amount of f 120 million from European banks.

The current investment plans are primarily aimed at further upgrading in order to increase the share of light products.

To ensure its continuity Shell Curaçao wishes to reduce personnel expenses, which form about half of the total costs. Such a measure requires an increase in efficiency and productivity of the entire organization and of all workers.

During his visit to Curaçao the Venezuelan president admitted that Venezuela was interested in a participation in the Shell refinery on Curaçao. He spoke of careful and long talks, which could result in a happy climax. It is known that also the Antillean Government wants to participate in the refinery. The magnitude of these participations is a major subject of the negotiations. Venezuela prefers to obtain a majority share, whereas the Antillean authorities wish to limit the Venezuelan influence.

### Lago Aruba

Towards the end of January the 800 workers ended their strike which started in December 1982. A new collective labour agreement was signed for a period of almost 3,5 years. The agreement provided an increase in real wages of 3 till 4%. The only problem not completely solved appeared to be the pension benefits, for which a commission has been appointed. The premiums paid by the employees have been deposited in a fund and invested to cover future benefit payments.

However, the part of the premium usually paid by the employer is not deposited. Instead the retired employees

have a claim on the company, which has not made any provision for this liability.

Lago performed very well during 1982. It is expected that Lago will pay a profit tax of about f 130 million in July next. If this is correct, Lago's operating profit for 1982 should amount to approximately f 325 million. This outcome is in contrast to the development with Shell Curaçao. However, it should be kept in mind that transshipment and storage activities are included in the Lago profit. Shell has separated these activities, which are handled by Curaçao Oil Terminal N.V. The revenues of this Company are not disclosed.

### Curaçao Drydock

Whereas the Curaçao Drydock has been effectively equipped for modern ship-repairing activities and also has well-trained labour available, the company has in particular on management level quite some non-productive personnel that only add to expenses. According to the report of Appledore Consultants the Drydock has to lay off at least 258 employees, consisting of 80 administrative and 178 technical workers. This measure would enable the company to adjust for the current economic circumstances. To improve efficiency the consultants advise to lay off 405 persons. Until 1982 the financial results were satisfactory. Later on the situation deteriorated. In 1982 only 830.000 man of hours were sold against 1 million during 1981, which resulted in a loss of f 18 million. In 1983 when activities are expected to fall, the loss will grow to f 28 million. The loss for 1982 has eliminated most of the company's reserves. There is still f 43 million outstanding in loans taken while an additional f 12 million was received as advances.

### Offshore sector

The tax treaty negotiations with the U.S. authorities were again suspended in February. The Minister of Finance left Washington without an agreement on, as was told, one major subject. No comments were given, but it is assumed that the difference of opinion refers to the matter of treaty shopping, against which the U.S. authorities have many objections.

The Netherlands Antilles have to decide what the next move will be to finalize the negotiations. The signing of the tax treaty is of great importance not only for the offshore sector on Curaçao and the companies involved, but also for the general economic development of the island; it is one of the very few possibilities left for economic growth in the near future. ■

### TABLES

CONDENSED BALANCE SHEET CENTRAL BANK; f million			
	28-2-'83	31-1-'83	31-12-'82
<b>Assets</b>			
Gold stock	41.4	41.4	41.4
Foreign reserves	350.04	346.5	334.1
Loans to:			
– government	89.9	89.6	89.1
– banks	1.5	0.1	–
– others	1.1	1.1	1.1
Sundry assets	5.7	5.4	5.3
<b>TOTAL</b>	<b>489.9</b>	<b>484.1</b>	<b>471.0</b>
<b>Liabilities</b>			
Bank notes	180.0	180.4	179.2
Deposits held by:			
– fed. tax collectors	5.3	6.1	7.6
– island governments	80.4	82.9	90.1
– banks	101.5	85.8	68.6
– development projects	14.0	19.9	23.8
– other residents	15.8	17.8	16.6
– non-residents	5.4	6.4	0.1
Money in custody	2.1	2.1	2.1
Sundry liabilities	21.6	18.9	19.1
<b>Capital and Reserves</b>	<b>63.8</b>	<b>63.8</b>	<b>63.9</b>

# Seaga is in trouble

## Polling the Jamaican Polity in Mid-term

By Carl Stone

After the dramatic 59% popular vote victory by the pro-capitalist and pro-Reagan Jamaica Labour Party against the equally pro-socialist and pro-Cuba Peoples National Party, in the October 1980 Jamaican Parliamentary elections, the author's public opinion polls have recorded a rapid decline in the popularity of the governing JLP party. The most recent September-October poll confirms that two years after its election to office, the JLP led by Prime Minister Edward Seaga has been overtaken by the Michael Manley led PNP in popular support. The JLP will have to come from behind if it hopes to win the next elections due in 1985.

In the spring 1981 issue of *Caribbean Review*, my article on the 1980 Jamaican elections ("Jamaica's 1980 Elections; What Manley Did Do; What Seaga Need Do") cautioned against a misinterpretation of these election results by pointing out the following;

*"If the JLP fails to create substantially more jobs than any other party in the past has ever attempted, its political ascendancy is going to be very short lived and the ebb and flow of two party strength will see a resurgence of PNP mass support within five years."*

*"The JLP support base is very fragile and contains many former PNP voters who may switch back to the PNP on flimsy grounds."*

*"The level of party voting has dropped considerably. . . The elections of the future are going to be characterized by massive swings."*

---

Carl Stone is a reader in the department of government at the University of the West Indies, Mona. Among his books are *Democracy and Clientelism in Jamaica* and the forthcoming *Jamaica at the Polls* (American Enterprise Institute) and *Profiles of Power in the Caribbean Basin* (Institute for the Study of Human Issues). This article was first published in *Caribbean Review* vol. XI no. 4.

*"The middle class and the business sector swung heavily to the JLP but their ranks have been decimated by migration and demoralized by constant class and ideological harassment under the Manley government. They have lost confidence in their capacity to give national leadership, and are not likely to provide the JLP with the active creative and dynamic network capable of restoring self-confidence and motivation to the productive classes. On the contrary, these classes have retreated into an isolationism that seeks to preserve their declining but large share of national wealth in the vain hope of recreating the Jamaica of the 1960s. The JLP will therefore be caught in the precarious situation of relying almost entirely on foreign capital from North America to restore life to the economy."*

All of these prognostications are directly related to the economic and political trends which have pushed the JLP from a majority party enjoying considerable public confidence and credibility to a position where the party's credibility now hangs in the balance. A major factor contributing to the decline of JLP political fortunes has been the prolonged recession in the US economy which has adversely affected both foreign exchange earnings and the expected inflow of foreign investment. The impact of that gloomy economic reality has been intensified by a number of political and policy directions by the JLP government which have helped to weaken its popularity among voters.

### Trends in the Polls

The October 1980 to October 1982 trends in the author's public opinion polls present an interesting pattern as shown in Table One. Between October 1980 and February 1981, JLP mass support stabilized while PNP support declined dramatically. A mood of optimism swept the country after the elections. Businessmen expected a quick return to economic buoyancy. Increased inflows of capital, credit,

loans and imported goods excited this optimism. The unemployed waited for jobs to be created. The working class eagerly looked forward to greater purchasing power by demanding more pay from employers and the business sector (large, medium and small scale) and geared itself for a return to boom times in the Jamaican marketplace.

Early endorsement of the JLP regime and Seaga's leadership by Reagan increased the expectation that the necessary external financial support would be forthcoming to recharge the economy's batteries towards recovery. In the short run, the hysterical rhetoric, intense political conflicts, violence, confusion and national polarization that were endemic in the PNP's 1976 to 1980 second term gave way to political stability, national consensus and the "managerial" approach of the Seaga leadership after the PNP's election defeat. A flurry of activity began to take place in the economy in construction, merchandise trade, tourism and services and all sectors were assured by the government that foreign exchange would be available to meet the needs for economic recovery. A massive increase in imported food items (cornmeal, flour, rice, etc.) removed the acute shortages of the later Manley years. Rigid foreign exchange controls gave way to an opening that was now legitimized. The ostracized private sector embraced the new government and a major push was made to attract US investment by high profile promotional committees. US aid to Jamaica climbed from slightly more than \$ 20 million in 1980 to over \$ 200 million by the end of 1981. The crime rate fell and some families who had migrated in political panic under Manley now began to return.

All of these trends sustained mass support for the JLP up to the middle of 1981. As a consequence, the JLP swept the 1981 local government elections held in the first quarter by winning majorities in all parishes and earning an overall 63% of the two party vote. By the end of 1981, however, JLP



political fortunes had declined and by November 1981 the high point of a 63% popular vote share in the local government elections dropped to a 54% share of the two party balance of strength. This represented a 5% net loss compared to the JLP's standing in October 1980.

## Demand and Supply

In the latter six months of 1981 some negative economic and political trends had begun to set in. The large inflow of consumer imports and imported food created conditions of oversupply as purchasing power had increased only marginally. This meant a sluggish rate of sales for many products. Producers whose markets had thrived under the conditions of shortage in the Manley years (where virtually everything produced could be sold) now found that sales fell as consumers tried to consume a much larger basket of goods with the same level of purchasing power. Sales of rum, beer, cigarettes and newspapers fell as did the sales of locally produced food items.

urban consumers were grateful for increased supplies of food and other consumer goods. But frustrations developed as earnings and income applied to the purchase of a wide range of goods and the satisfying of increased consumer expectations appeared to be diminishing. Farmers and small businessmen complained bitterly about the decline of sales only months after new small rural and urban shops had re-opened to meet the expected increase in consumer demand. The optimism of big business dried up overnight. The dramatic fall in the rate of increase in the cost living from 19% in 1979 and 29% in 1980 to 5% in 1981 due to the overstocking of the local market had no significant positive effect on voters. It had been neutralized by perceptions of limited purchasing power, the inability to buy many of the wide range of consumer of trying to raise living standards by consuming a larger basket of goods with substantially unchanged purchasing power.

The recession in the US reduced the inflow of investments to a trickle in spite of aggressive promotional activity to attract investors. Some projects were started and new areas of production were opened up by foreign capital. However, only a few thousand jobs were created and the impact was neutralized by the fact that more persons were losing jobs than new jobs were

opening up. The very high unemployment levels — estimated by my polls as being in the region of 30 to 35% in most areas — remained unchanged. Attempts by the JLP government to reduce the huge budget deficit led to increased taxation by improving tax collection and tightly controlling public spending. Public sector relief employment opened up by the free spending democratic socialist PNP government was pruned.

These problems were compounded by the declining value of the British pound which reduced earnings from traditional agricultural exports. This caused cut-backs in agricultural production, reducing employment in a sector already aggravated by the adverse weather which had decimated the banana industry in 1980. The declining wage earning from export agriculture in turn cut the demand for locally produced food, increasing the sales problems of the small farmers who had thrived under the commodity-starved and high-priced food market of the Manley years. The rural areas were acutely short of cash and purchasing power and the government's tight money policies and restrictive spending pattern offered no stimulus to fill the gap. The money and spending policies were too tight and fiscally too conservative. It allowed excess productive capacity to build up in domestic agriculture while rural consumers complained of not being able to buy food items because of a shortage of cash. The country had gone from the extreme of massive budget deficits and an expansionist monetary policy under the PNP (which aggravated the rate of inflation) to the other extreme of a drastic fall in prices and an overly rigid combination of monetary and fiscal policies.

Supported fully by the World Bank and the IMF, the JLP's strategy was to suppress domestic demand and restrict domestic consumption and to encourage national income growth through expanded export sales aided by stable domestic prices. Export orientation and structural adjustment were seen as the solution to economic recovery. An "open economy" policy was advocated in place of the earlier import substitution emphasis of the 1960s and the 1970s. This was to be complemented by commitments to provide export incentives, liberalization of import restrictions, the sculling down of bureaucratic regulation of the private sector, divestment of govern-



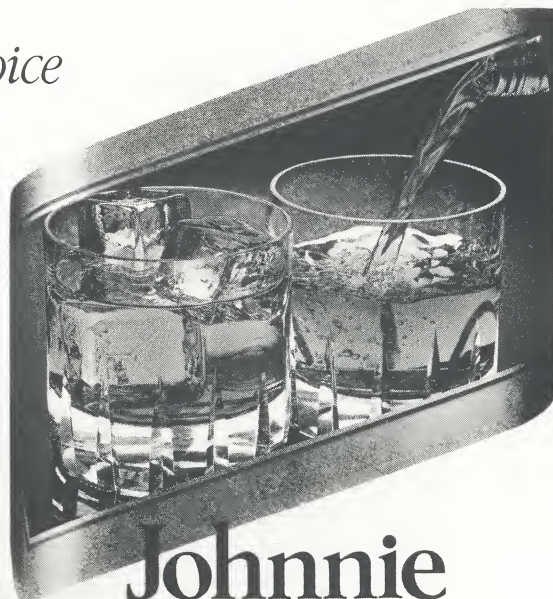
ment owned enterprises, and encouragement of a policy of competition within the local market.

Manufactures accustomed to a protected domestic market panicked in reaction to the challenge of having to face competition from imported goods. Implicit in the JLP's position on the export emphasis was the idea that the economy needed to specialize more in export production in areas where Jamaica has some comparative advantage and is able to secure external markets while relying more on cheap imports for a wide variety of products to replace domestic production for the local market. In other words the government's new economic thrust was seeking to shift productive capacity from domestic production to production for export markets. The challenge was beyond the depth of most private sector manufacturers and a build up of opposition to the open economy policy began the rapid decline in private sector support for the government.

This situation was aggravated by the parallel market in US dollars. Middle and upper income consumption grew massively over the first year of the JLP's term of office. Motor cars, video sets, color television and myriad luxury items were imported into the economy utilizing parallel market dollars. Merchants outbid the manufacturers for the scarce supply of US dollars. The imports they financed added further to the manufacturers problems and pushed up the price of the parallel market dollar. With falling sales, expensive and inadequate foreign exchange and intense competition from imports, the manufacturers felt that their very survival was being threatened by JLP policies. They have consequently become extremely critical of the JLP's economic policies.

*continued on page 42*

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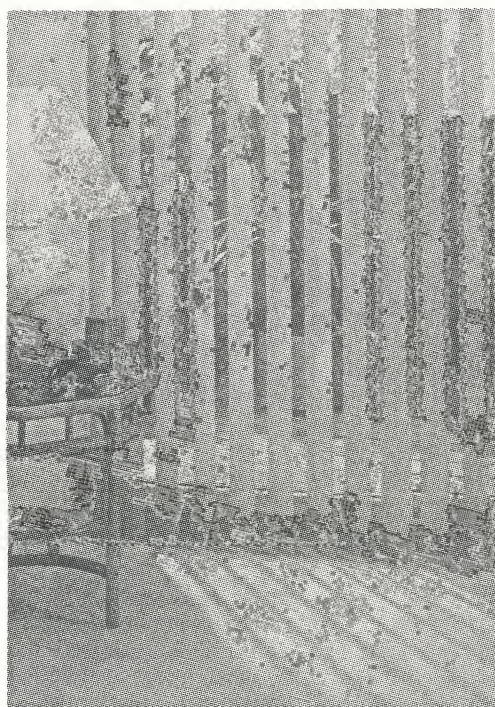
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# Admission to the Netherlands Antilles



by Wim Luiten

A juridical question constantly being commented on by the public is that of admission to the Netherlands Antilles. Especially now that it seems as if the admission policy is becoming stricter, objections are frequently heard. A limited admittance of persons from abroad supposedly stands in the way of further economic development of the islands. A limitation of admissions and in particular the removal of persons after a number of years of residence is considered inhumane. The regulation itself is felt to be discriminatory by many people having the Dutch nationality. On the basis of their Dutch nationality Antilleans have free admittance into the Netherlands, yes, even into all the countries of the European Community, whereas the European Dutch do not possess the right of free admittance into the Antilles.

## Legal regulation

The Central Government Ordinance on Admission and Deportation stipulates that in general a permit is required to be admitted to the Netherlands Antilles. There are a number of exceptions:

- a. Persons who can be described as Antilleans (although this concept does not exist juridically) are exempt from the admission regulation. In general these are persons born in the Netherlands Antilles of the Dutch nationality, their descendants and the members of their lawful families.
- b. Persons who have been admitted automatically (by right). Most of these are persons employed by the government, consuls, military personnel, crew members of ships and planes, as well as people of the Dutch nationality, who have resided here for more than ten years.
- c. Tourists from countries designated by the Governor. As tourists are considered persons not staying longer than three months in the Netherlands Antilles for recreational purposes, sports, health reasons, family affairs, study, religious ends or business and who during their stay do not carry out any work against payment.

All others have to have a permit, which can be granted by the lieutenant Governor for a limited or an unlimited period of time. The Lt. Governor has been given a large degree of freedom in exercising this policy. He can deny the permit with a view to public order or general interest.

The law states explicitly that economic reasons also fall under general interest. He who enters the islands in contravention to the provisions of the law can be ordered to leave by the Lt. Governor.

The person who has been admitted here, but whose presence is no longer desirable with a view to morality, public order, public stability and security, or who has not left the island within a reasonable time after expiration of his permit, can be deported by the Attorney-General.

## Economic interest

Economic interest pays an important part in the admission policy. The main objective of the regulation is to safeguard employment for the own population. Taking into account the existing high rate of unemployment this should indeed be the government's first obligation. Permits therefore should justly only be issued insofar as it concerns functions for which no adequate personnel can be found locally. In principle it also seems wholly acceptable that permits are granted only for a specific period of time, after which the extension thereof will be evaluated. However, the often heard complaint of enterprises that they cannot find sufficient suitable personnel and as a consequence are hindered in their development is also understandable. But on the other hand the government cannot allow an economy to be created on these islands, in which the own population is only able to participate in subordinate functions. Up to now

the government has been able to maintain a reasonable balance between these interests.

## Humanitarian

Especially the policy of no longer extending an admission permit and the subsequent possibility of deportation can deeply affect the interests of human beings.

Many women from Colombia, the Dominican Republic and the small English speaking islands in the Caribbean are earning an income here, on which their families are completely dependent. In these circumstances the discontinuation of their admission permit would mean a catastrophe.

Other people who emigrated to the Netherlands Antilles, hoping to build a new future here, and who are informed after for example eight years that their presence is no longer required will undoubtedly feel that they are losing everything they have been able to build up.

Many of these poignant cases are unavoidable if the admission policy is applied in a stringent way. But the pain would be considerably less, if from the beginning it was made clear to the person concerned how his position really is. It is evident that on this account a lot still remains to be done. Inadequate information also contributes to the fact that many have erroneous notions about their positions.

Clear information given by the Government would prevent a lot of unnecessary disappointment and disillusion.

## Discrimination

In the traffic of persons between the Netherlands and the Netherlands Antilles the principle of reciprocity is not applied.

Antilleans have free admittance into the Netherlands, the Dutch do not possess this right with regard to the Antilles. Many are genuinely bothered by this unequal treatment. He who thinks that there is a certain discrimination in this situation would in the first place do well to realize that an admission policy was

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already in effect during the period of the West Indian Company. At that time people were already well aware of the fact that an unlimited admission would have far too many negative consequences for the colony.

And since then this argument has only gained in strength.

Free admittance of the Dutch into the Antilles would have completely unacceptable effects. This of course is quite different the other way around. The scale of the Dutch economy is much larger and will not be unsettled by a relatively small stream of immigrants. Therefore the principle of reciprocity is not being acted against by the difference in treatment.

The principle of reciprocity not only requires that equal cases be dealt with in an equal manner, but also that unequal cases be dealt with in an unequal manner.

Secondly it has to be pointed out that also the Netherlands on their part do not accept the principle of free admittance. In revising the Dutch constitution they consciously sought a formulation that does not preclude the possibility of instituting an admission regulation for Antilleans. For that same reason the fourth Protocol of the Treaty of Rome was not ratified by the



a max. of 3 months

Kingdom. Obviously the Netherlands want to keep their hands free to be able to draw up admission regulations, if the need should arise.

The honour debt to the former colony apparently does not go any further than what is acceptable with a view to the own interests. (But then this was already very much in evidence at the Round Table Conference!).

**Balance**

Admission and deportation are problematical matters and will always remain so. On the one hand there is a trend towards more openness, towards

integration with countries in the region, towards having close relations with persons, enterprises and institutions in the countries around us, towards intensification and increase of the traffic of persons. On the other hand there is a need to protect our own interests and to see to it that the scarce opportunities for employment are kept open for the own population. Finding a balance that will be satisfactory for everyone is not an easy task, not in the least because the interests may be quite divergent from each other. A labour union must naturally arrive at different conclusions than an employer.

Yet the legislator has succeeded in finding a reasonable midway.

If the authorities charged with the effectuation thereof carry out a coherent policy, without too many abrupt changes, and give proper information, problems can be limited to a minimum.

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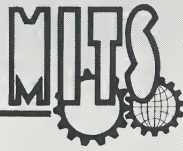
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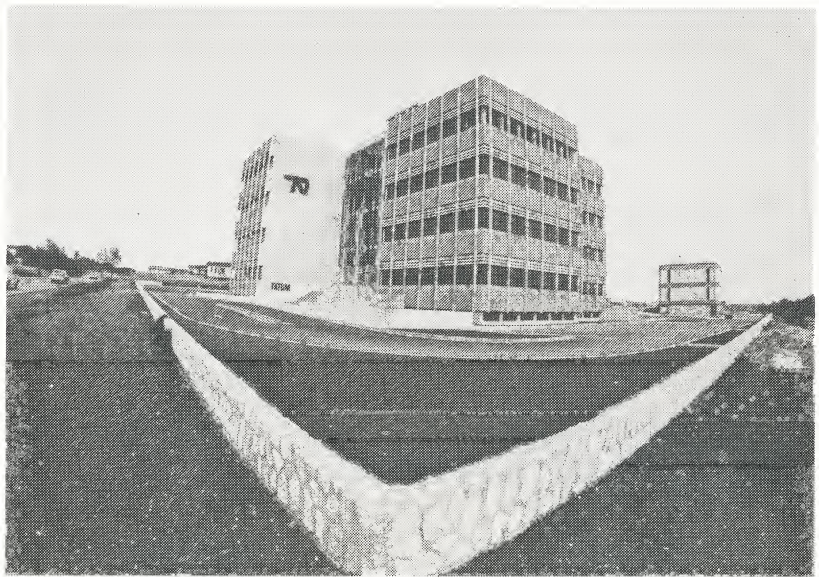
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## Development Bank of the Netherlands Antilles

# Gathering Momentum

Officially inaugurated on October 1, 1981 the "Ontwikkelingsbank van de Nederlandse Antillen N.V." opened its doors to the public on February 1, 1982.

By the end of that year the bank was firmly established, had realized a surplus, had already disbursed NAf 505,000.— in credits to five projects and counted 18 potential projects in the pipeline, involving a total financing need in excess of NAf 9 million. The initial stages of establishment successfully completed the bank presently witnesses a rapid acceleration of its operational activities.

The need for a development bank giving its own particular contribution to the Antillean economy became increasingly urgent during the 1970-ties.

On the local market credit could (and can) generally only be obtained on a short term basis. Banks, moreover, favoured commercial rather than industrial projects. During the past years 97% of all credit supplied went to the private sector. But only 5% reached industrial and construction companies. The plight of agriculture was even worse, being considered too high a risk.

Interest rates, though perfectly sound from a banking point of view, constituted another serious

obstacle to development, in particular of small scale enterprises.

In 1979 rates amounted to 12-15% on current accounts, 12% on mortgages and 11-14% on loans from 1-5 years.

Besides the demand for medium and long term financing facilities there also appeared to be a great need for technical, financial and administrative assistance programmes. The lack of proper know-how in these fields too often frustrated promising initiatives.

The establishment of a development bank, it was felt, would be a welcome addition to the financial sector.

### Consultants

On February 20, 1981 the Government of the Netherlands Antilles signed a contract with SORCA-B.M.B., Management Consulting for Development, thereby securing technical assistance for the above mentioned purpose. The European Economic Community agreed to supply the necessary funds for the project from the European Development Fund for an initial 18 months, with the implied possibility of another 18 month extension. Six weeks later consultants Mackay and van Rooy arrived on Curaçao to start up the

project.

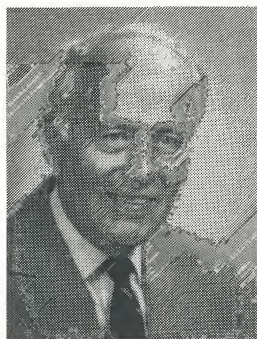
They immediately set out to analyse the economic situation of the Antilles with a view to determining project priorities, to secure the necessary funds, to draw up the bank's organizational outlines and to establish an effective measure of co-operation with institutes related to the purpose of the yet to be created bank.

### Funding

Of necessity the initial period before inauguration as well as the first financial year of the Bank were characterized first of all by a strong emphasis on funding. The authorized capital was set at NAf 15 million, 60% of which was earmarked for subscription by the public sector and 40% by the private sector. Although it was originally the intention to create an institution including all six islands, political developments (see National) led to an early withdrawal of Aruba. This meant that subscriptions from the public sector had to come from the Central Government and the respective island territories of Curaçao, Bonaire and the Windward Islands.

With some notable exceptions, the private sector was initially slow in responding to the project. Only after a second and urgent appeal by the Minister of Finance and insistent lobbying by the consultants did the local banks come forward. The total of their combined subscriptions, however, still remains below the original target.

As of 31 December 1982 the capital structure of the Bank reads as follows:



Bank's General Manager and Team Leader of the newly formed Development Bank is *Baron E. R. A. Mackay* of SORCA-BMB, Management Consulting for Development.

Mr. Mackay (65) has been working as a consultant from 1971 onwards. Assignments during that period include the starting up of Nigeria's Agricultural Bank, Managing Director of the Federal Mortgage Bank of Nigeria and Special Adviser to the Bank for Housing and Construction of Ghana.

Before joining SORCA-BMB as Banking Expert and Principal Consultant Mr. Mackay worked with several banking institutions holding key positions. Twenty-one years of his career were

spent serving American Express International Banking Corp. Mr. Mackay's areas of specialization are:

- Development planning and management of development institutions
- Economic and financial analyses in agricultural and industrial sectors
- Design and introduction of management information systems
- Establishment of guidelines for decision making policies on type and scope of banking operations
- Studies of small entrepreneurs in the agro-industrial sector.

## ECONOMY

### Public sector

	subscribed (and paid up)	
Central Government		NAf 1,500,000
Island territory		
Curaçao	1,500,000	
Island territory		
Bonaire	750,000	
Island territory		
Windward Islands	750,000	

### Private sector

	subscribed (and paid up)	
Maduro & Curiels		
Bank NV	60,000	
Algemene Bank		
Nederland NV	250,000	
Barclays Bank of		
the Neth. Ant. NV	100,000	
Banco Industr. de		
Venezuela C.A.	250,000	
Banco di Caribe NV	25,000	
Curaçao Banking		
Corp. NV	50,000	
The Bank of Nova		
Scotia NV	50,000	
Grand Total:		NAf 5,825,000

All the above mentioned subscribed shares were fully paid up by July 21, 1982.

The consultants, moreover, established contacts with a number of international financing institutes in order to obtain additional funding for the Bank.

Contacts with the European Investment Bank (EIB), Luxemburg, led to the signing of a loan agreement at The Hague on December 13, 1982 between the Central Government and the EIB for a loan of approx. NAf 1.5 million (ECU 840,000) on soft terms, to be used exclusively to augment the Bank's capital contribution from the public sector. The drawdown under this facility is scheduled to take place in 1983 and is subject to the Bank additionally being provided with matching loan funds from Government or other sources on terms acceptable to EIB.

Negotiations with the European Economic Community (EEC) led to the earmarking of approx. NAf 1.3 million (750,000 ECU) to accrue to the Bank for the financing of agricultural projects. These funds are expected to be supplied on very soft loan terms and should

also become available during this year. Co-operation was established with De Nationale Investeringsbank NV (NIB) and the Nederlandse Participatie Maatschappij voor de Nederlandse Antillen NV (NPMNA), both in The Hague, with a view to co-financing of projects and training facilities for the Bank's staff. Also discussions are afoot regarding the activities of NPMNA, presently managed and controlled by NIB, in due course becoming meshed into the operations for or wholly taken over by the Bank.

Efforts are being undertaken to retain and transfer the budget of STINA (Foundation for the Promotion of Investments in the Netherlands Antilles) which was dissolved as of April 1, 1982 to the benefit of the Bank. This would involve 4.5 million Dutch guilders for projects of an industrial nature and DFL 700,000 towards the Bank's running expenses. Both amounts would be available on a yearly basis. Minister of Development Co-operation Leo Chance and the head of his department Mr. George Curiel recently visited The Hague to discuss a possible transfer with the Dutch Government. At the time of writing no results were as yet known.

Unresolved have been the negotiations with the Dutch Cabinet for Antillean Affairs (KABNA). At an early stage of their activities the consultants approached KABNA for a confirmation of a NAf 2 million contribution from Dutch development funds to the Bank. At that stage it was understood that 1 million was earmarked for reserve fund purposes while the other million would be made available as a loan at 2½% on a basis of 22 years with a grace period of 8 years.

Confusion among KABNA's staff about the exact figure was interpreted by the consultants as uncertainty about whether the original pledge had been quoted in Dutch or Antillean currency. At a later stage, however, KABNA denied any such pledge. Intensive research in The Hague and over here did not bring to light any written materials confirming this matter one way or another. No con-

tribution from this source has as yet been made to the Bank.

To enhance the Bank's operation funds, the floating of a bond issue with a tax free facility to bondholders is being discussed with the Minister of Finance. The Bank's first annual report states that in order to be successful such an issue would have to be guaranteed by the Central Government and could be floated at a rate well below the going market rate, thereby creating funds which could be lent at a beneficial rate to development projects, but still retain a profitable margin or spread for the Bank.

### Organization

Next to securing a strong financial position the consultants faced the task of building up an organization able to give a lasting and effective contribution to the Antillean economy. The four progress reports and the first annual report published by the consultants indicate a commendable cost-effective and practical approach.

The Bank is modestly housed in rented premises at an easily accessible point of town. Three departments have been set up to deal respectively with project investment advising, project assistance and administration. The earlier mentioned contract with SOGRA-BMB has been extended for a second 18 month period till February 1984, thus allowing the consultants to attract and train counterparts for the purpose of taking over the Bank's management before the expiration of the contract. During the first weeks of this year two middle management employees were appointed in the position of counterpart to the financial-administrative manager and the operations manager.

The appointment of a successor to the present General Manager (Mr. Mackay) is expected to be announced soon.

The total operating expenses during the first 15 months of the Bank's existence amounted to NAf 80,305.- (Retained earnings: NAf 446,999.-).

The personnel costs, however, will increase to approximately



NAf 200,000.- during the current year due to the appointment of the afore-mentioned counterpart and other staff members.

**Projects**

Already before the official inauguration the Bank received project requests.

During 1982 the number of applications for assistance increased steadily.

Several of these potential projects, however, had to be rejected or held up for reasons of non-viability, non-receipt of requested and required additional information or because they did not qualify in terms of the Bank's charter, according to the annual report. But five projects were approved involving the extension of credit totalling NAf 1,855,000.-. As mentioned: to date NAf 505,000.- has been disbursed. These projects are all five industry and tourism related. The terms on which the loans have been granted vary from 2¼ to 10 years at interest rates from

11% to 12% per annum. One loan includes a grace period of two years.

The Bank's policy for the coming period with regard to the acquisition of projects puts a strong emphasis on small and medium sized enterprises and regional distribution. This in accordance with both the needs of the local situation and the wishes of Brussels (EEC). On no account should the bank acquire an elitist aura, says Mr. Mackay.

No less than 18 projects are presently under the Bank's consideration. These potential projects cover industrial, tourist, transport and agricultural ventures to be located on all three participating island territories.

It should be noted that the Bank's strategy is aimed at diversification with regard to projects and equitable regional spread.

In order to avoid duplication of activity and to remain alert and helpful to possible new undertakings, the Bank has established regular contact with local institu-

tions operating in the development area such as the ministries of economic affairs and development co-operation, Curinde NV, Codeco NV and Fundashon Empresa Chiki.

The firm establishment of the Bank and the nature of its first activities do indicate that the initial expectations with regard to a new thrust for the economic development of the Antilles are being positively fulfilled. ■

As of December 31, 1982 the Board is composed of the following Governors:

**Public sector:** Mr. L. E. Didiez, Chairman (Curaçao) - Mr. C. Gomes Casseres (Central Government) - Mr. R. O. van Delden (Windward Islands) - Mr. A. H. Schermer (Bonaire).

**Private sector:** Mr. Ch. Gomes Casseres (Maduro & Curiel's Bank) - Mr. Charles M. Mabon (Barclays Bank) - Señor Luis A. Navarro (Banco Ind. de Venezuela).



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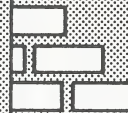
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# The economic future of Curaçao

*Reflections by Norman M. Chumaceiro*



After the 1969 disturbances on Curaçao the need to join forces and create a stable climate for the island's development was keenly felt by many. Groups were formed as part of an "Achievement motivation programme" conducted by the Sterling Institute with the purpose of defining the island's needs with regard to social reform, adult education, job creation and economic development. The resulting actions started under these various headings have all developed with relative success.

To stimulate economic development it was soon realized that better understanding between government, capital, labour and the community in general should be promoted. With this in view a body was created called CODECO N.V. The objectives of this limited liability company<sup>1)</sup> are of a truly developmental nature.

The following observations are based on research undertaken by CODECO as well as derived from the company's experience during almost 13 years of involvement in Curaçao's society.

## Comparing the times

Looking back over the years since CODECO was established many of the positive factors of the island's society are still in force. In general people do recognize the problems besetting the community and are genuinely willing to solve them. The island can boast the possession of government agencies as required by modern times, active labour unions and service clubs, a dynamic and qualified business community, and a fair measure of organized religion.

The population in general is acquainted with industrial needs, willing to be trained, multi-lingual and basically well schooled. The number of qualified professionals is growing, international relations are well developed and there is a longstanding tradition of democracy and respect for the law.

The negative factors, however, have during these past 13 years become more prominent and hamper the island's development on many fronts. Here the attitude of defeatism and mutual distrust should be mentioned. Also the lack of long range planning, in particular on the part of the government, and the disintegra-

tion of the family structure. The feelings of uncertainty with regard to the political, social and economic future of the island, so predominant in 1971, are still very much present.

## Economic studies

A great many studies<sup>2)</sup> have been made through the years to establish economic development possibilities for the Antilles and for Curaçao in particular. We need not mention them all here, but it may be good advice to all concerned with the island's development to review them from time to time. It is interesting to note that apart from containing extremely valuable reference material all these reports are basically optimistic in outlook, provided certain conditions are fulfilled. The following quotes from two recent reports may bear this out:

From the World Bank Report 1979: "They (N.A.) have a well educated labour force, which can attain good productivity levels in skilled industries like ship repairing. There is a high degree of political stability, despite inter-island rivalries. The blossoming of a variety of service industries (banking, finance, shipping, aviation and real estate services) in-

dicates a basically attractive investment climate, to which manufacturers have been slow to respond. Lack of industrial promotion efforts is at least partly to blame for this".

From the Irish Export Promotion Team's report 1980: "The Netherlands Antilles has a young and rapidly rising labour force. The islands have high unemployment and face continuing emigration. The economic structure is unbalanced. There is excessive dependence on services. In particular the public sector has reached a level that will be unsustainable in the long run without substantial transfers of financial assistance or further higher taxation".


"Tourism and other sectors (e.g. offshore banking) will be important generators of new employment, but they alone will not provide enough jobs. We believe that a manufacturing industry has an important role and that an active promotional programme can generate new employment in industrial enterprises".

The above and many other reports confirm clearly our many strengths, which at the moment remain unused.

## Inquiry

CODECO N.V. recently conducted an inquiry inviting participants to forward suggestions with regard to industrial development. The many reactions that were received still have to be analyzed in depth. The results will in due time be published. But the following listing of reactions may at least indicate a high level of both critical and constructive interest.

**Industries recommended:** Messenger service, concrete articles factory, recycling of plastic, recycling of glass, pharmaceutical packaging material, cement silo, production of



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**Recommended steps:** research studies should be made available to all concerned. Persistence in promotion of new industries. Training for entrepreneurial skills. Promotion of better co-operation between locals and expatriates, etc.

**Blocks:** investment incentives insufficient. Interest rates too high. Recurrent labour friction. Too stringent laws for engaging and disengaging labour. Slowness on the part of the government with regard to applications for investment. Insufficient financing facilities for new enterprises. Etc.

**Suggestions:** create more market protection where needed. Make experts available to assist new industries.

This brief selection from the many replies received by CODECO proves the earlier mentioned willingness of many to contribute to the development of the island.

But why then, we may ask, do people not move faster to establish new enterprises? Why is development so slow? The following is an attempt to answer those questions and indicate what steps could possibly be taken.

### Facilities

Recently an extensive study was undertaken comparing the facilities of

the Panama Canal zone and Curaçao. From the findings of this research it may be concluded that Curaçao can compete favourably except with regard to the cost of utilities and the level of taxes. This last drawback, however, may soon be eliminated as tax-adjustments have been proposed, which will bring the island in line with regional competitors. It should be noted that tax adjustments in the past have shown by the resulting rapid growth of the Curaçao Free Zone, how important the tax aspect is for future growth in all industrial, touristic and development sectors and therefore how much attention this aspect deserves.

But to attract new investments more is necessary than mere adjustments. What should be given proper attention is the concept of "return on investment". The neglect of this widely applied principle is probably due to the political zig-zagging of the past ten years. But without a stable policy on this subject, which by necessity is a major consideration for all company officials advising their principals concerning the feasibility of investing in Curaçao, we shall continue to fail attracting new capital both locally and abroad. To which should be added that for growth foreign investment and know-how are a "must"!

A local bank recently expressed its concern that the total of deposits far surpassed the possibilities for investment on the island. But the truth is that no investor, local or foreign, will risk his safe deposit for ventures, which once started will be subject to the many vicissitudes of our society. To the already mentioned rapidly rising utility bills, should be added: the stiff taxes imposed after a very short period of tax-holiday, the often excessive labour demands and the reconstruction of the Netherlands Antilles, creating an element of uncertainty.

A chain is as weak as its "weakest link" and any single one of the above mentioned circumstances may so drastically affect the future success of any new company, that few officials of large companies will recommend investment in the Antilles.

Unless we can provide potential investors with solid guarantees and attractive facilities (tax and otherwise)

we will fail to create the employment so urgently needed.

Reviewing the past 13 years it must be said that the need for co-operation between government, capital, labour and the community in general, then so keenly realized, is still a most urgent challenge. In particular as independence seems to be drawing closer, the motto of CODECO gets an even more urgent ring: Inverti den Corsow, pa bo jiu tin trabow. ■

### 1) Objectives of CODECO:

The furtherance of prosperity and in particular the enlargement of the volume of employment within the Insular Territory of Curaçao, which objects shall be tried to be attained by the following means:

- a. the advancement of activities in the field of trade, manufacture and industry, tourism, shipping and air traffic;
- b. the advancement of training and schooling of employees and labourers and directing personnel in these lines of trade and industry;
- c. rendering advice and making recommendations;
- d. rendering/furnishing facilities to enterprises, such as trading establishments and equipping and fitting up the same;
- e. the participation in the above kinds of enterprises;
- f. guaranteeing loans to be contracted by the above-mentioned kinds of enterprises, or issues of bonds/debentures to be effected by these enterprises;
- g. contracting loans to the effect of financing the activities mentioned here-above;
- h. the obtaining, possession, administration and the alienation of securities;
- i. the possession, purchase, sale, encumbrance and development of real property and also the development of projects.

### 2) Recommended by author:

- Goudriaan and Dresden. A study.
- CIVI - Centraal Instituut voor Industrie Bevordering 1960.
- Intracur Dal Bai Edition with special reference to various analyses of CIVI.
- Stanford Research Institute 1972 - Export Industries/Tourist Industry.
- Industrial Investment Incentives in the Caribbean - World Bank Report 1979.
- The New Industrial Development Strategy for the NA by a study team of the Irish Export Board 1980.
- Report Special Commission Central Government re' Tax Facilities 1982. ■

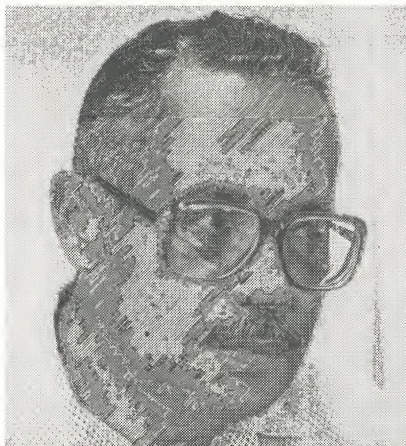
## PEOPLE

**Drs. B. M. Leito**, Governor of the Netherlands Antilles, recently announced his decision to retire from his present high position. Although rumors indicating such a step by Mr. Leito had been floating around for some time, his announcement still came as a surprise. No particular reasons were given for his relinquishing the governorship at this particular moment in time. Some observers see a connection with the outcome of the Round Table Conference ushering in a new era of Antillean history. It is well known that Mr. Leito favours an Antilles of the six and is far from happy with the now inevitable secession of Aruba. Mr. Leito served for 12 years as the Queen's representative and is



highly esteemed for his able performance. No populist he carefully avoided too much publicity, safeguarding the governorship from getting tinged with partisan politics. Speculations about who will succeed him all focus on three names: Minguel Pourier, a former prime-minister and presently General-manager of the Algemene Bank Nederland (N.A.), Haime Saleh, president of the Court of Justice, and René Römer, Dean of Willemstad's university. It should be realized that within two years a second governor in the Antilles will have to be appointed to represent the crown on Aruba, due to the latter island's obtaining status aparte on January 1, 1986.

In AR's last issue Mr. Stanley Cras was mistakenly mentioned as having taken the initiative to make *Le Petit Prince*, the famous children book by Antoine de Saint-Exupéry, available to the Papiamentu reading youth of the Antilles. Mr. Cras published the book, but the initiative and the bulk of the translation work must be



ascribed to one of the most productive Antillean writers: **Mr. Edward A. de Jongh**. According to a proud de Jongh E Prins Chikí is the 41-st translation of the original book into a foreign (non-french) language. Mr. de Jongh has published several collections of short stories and poems. His work is widely appreciated both in Holland and the Antilles, having been written both in Dutch and Papiamentu. Born of Antillean parents in Indonesia (1923) he returned to the country of his early childhood for a trip of reminiscence in 1976. A resulting novel, *de Boog*, is acclaimed as a topper and has been selling very well. Mr. de Jongh is presently working on a travel narrative of that same visit.

On his way back from a conference of the Inter American Development Bank, **Mr. Pais** of the European Investment Bank, stopped over for a brief but highly productive visit to Curaçao last March. Mr. Pais who visited the Antilles on several occasions in his earlier capacity of Dutch Minister of Education, this time came to



be informed about the economy with a view to his bank's assistance (see Economy). Mr. Pais showed himself carefully optimistic about further co-operation between his institution and the Development Bank of the Neth. Antilles, which he quoted for its efficient set-up. Having met most of the financial and economic leaders of the country in just a few hours, Mr. Pais called his visit "a crash course in Antillean economics."



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## Turning a messy tide

### *Environmental Policy making headway*

Pollution, one of the most negative side-effects of affluency, has become a matter of concern also in the Netherlands Antilles and most in particular on Curaçao. In AR's last issue Mr. W Luiten drew our readers' attention to this increasingly worrisome phenomenon and ventured to formulate a number of suggestions with regard to measures which should be taken in order to protect the island's environment. Following his lead AR's editorial staff decided to undertake some further research. Mr. Q.B. Richardson, Head of the Department for Environmental Care, and Mr. P. Verfaillie, Dutch expert in this field advising the Island Government of Curaçao, were both interviewed. A number of documents on the situation drawn up by a Dutch agency (Dienst Centraal Milieubeheer Rijnmond) were studied. The conclusion seems warranted that the island is indeed threatened by a serious pollution problem, which, however, is not beyond remedy. To which should be added that both government and industry in general display a serious willingness to act along the dictates of common sense. How serious, should become clear within months or even weeks from now.

#### Late start

Already during the early seventies the local press, service clubs and concerned citizens on several occasions issued warnings with regard to the increasingly evident littering of the island. Their appeal to the government to counteract this development, however, fell on deaf ears. The environ-

mental cause was apparently not yet seen as politically fortuitous. This attitude changed overnight when Dutch physician J.J. Westerman published his doctoral thesis indicating a direct relation between the occurrence of certain lung diseases on the island and the air contamination caused by the Shell refinery. During the island council meeting of September 8, 1977, no less than three motions were forwarded, urging the government to take measures to protect the population living in those parts of town afflicted most by Shell's fumes. Subsequent research by the afore-mentioned Dutch agency, however, showed that the air pollution caused by the refinery, though of an unacceptable level, was not the only nor the worst kind of pollution threatening the island.

The at random disposal of waste and litter appeared to pose a far more serious problem. Thus it became clear to the authorities that an integrated approach was required rather than tackling just one manifestation, however obvious and smellable. This insight led to the establishment on January 1, 1980, a section for environmental care within the framework of the public health service.

The new department's staff immediately set out to draw up policy proposals, a draft for more adequate legal regulations and at the same time started intensive research determining the nature of the different kinds of environmental contamination.

#### Waste

Visitors to the island are invariably appalled by the amount of litter strewn

along the public roads and beaches. Although littering is prohibited by law, no action against transgressors was or is ever taken. As a result it has become common practice to dispose of paper napkins, cups and even beer bottles by simply throwing them out of car windows. Household refuse is also often dumped at random. The number of abandoned car wrecks is taking on a frightful proportion. It is estimated that presently at least 4000 cars must yearly be disposed of. No adequate technical organization does as yet exist to deal satisfactorily with this problem. This high degree of littering is not only one of the main causes for the downward trend of tourism, but also constitutes a direct threat to public health. The latter is also true with regard to the official processing of refuse. This is done by dumping both on land and in the sea. As the dumping capacity of the island is limited this leads to contamination of ground water, defilement of the beaches, pollution of the air and an undesirable increase of vermin.

Industries in general solve their waste disposal problems by dumping on their own grounds, along public highways or elsewhere on the island rather than at the designated landfill projects. This applies in particular to oil residuals and chemical waste. Not only does this practice cause an unpleasant smell, it also affects the quality of ground water.

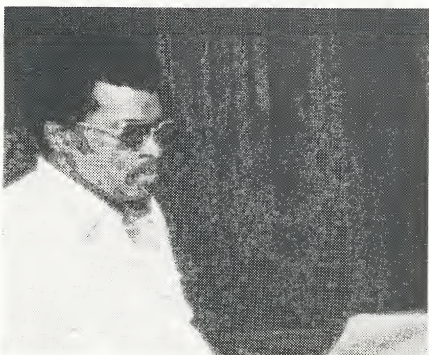
Another problem is caused by voiding waste-water and the sewerage system directly into the sea. Although not yet alarming the defilement of the island's coast is becoming a very real possibility. A Dutch report warns that if

the facts of the present day situation were known publicly tourism might suffer a considerable set-back. This seems slightly exaggerated, however. Mr. Richardson explains that in terms of quantity the problem is still relatively small.

Far more serious is the contamination of the Schottegat (harbour). Research done in 1981 by the Department for Environmental Care in co-operation with a Venezuelan institute (Instituto Venezolano de Investigaciones Cientificas) showed a high degree of pollution. In particular the western sector of the inland lake appeared to be in a bad state. Industrial dumping has caused a heavy oil film, high organic charges and temperatures of 35 degrees Celsius.

The heavy sea traffic and high percentage of oil tankers visiting the island constitute a continual danger of oil spills. Although it is often maintained that the steady tradewinds do guarantee a fair measure of safety for the leeward side of the island, the possibility of fatal damage to the coral reefs and beaches should not for one moment be discarded.

Air pollution by traffic, on the other hand, is hardly worth mentioning. This in spite of the fact that the ratio of cars is one to every four inhabitants. The ever blowing tradewind takes care



*Q. B. Richardson*

of exhaust fumes. But the same winds do carry the far from healthy fumes produced by the Shell refinery over certain parts of town. As mentioned before, it was the publication of a medical study proving the lung damaging effect of these gasses which caused a general awakening with regard to the issue of pollution.

### Change

One may wonder why the above mentioned pollution processes were allowed to continue and grow unchecked for so long. The answer is

threefold. First of all there was a lack of political will to undertake any action in this respect.

Secondly most industries adapted themselves to the general laissez-faire attitude. And thirdly no entity existed equipped for research, control and enforcement of the regulations, which were outdated anyway.

Two successive commissioners of public health, both women, were instrumental in bringing about a change in this attitude. Mrs. Maria Liberia Peters (see AR. Vol. 3 - no 2) went along with the advice of the Dutch experts and instituted the special department in order to tackle the problems in a way as comprehensible as possible. Miss Lucille Wout, her successor, has continued the same policy up to today.

### Licensing

Mr. Q. B. Richardson, who graduated in waste water engineering at Wageningen, was appointed head of the department. He wasted no time and immediately set out to analyze the problems, start up research projects and a visiting programme to industries. The main obstacle he encountered was not the unwillingness of industries to co-operate, but the fact that he had to operate within the limited framework of quite outdated legislation. The existing public and private nuisance act. He and his colleagues – the department today employs 9 persons among who several highly qualified – did manage, however, to develop an effective plan of action. Industries visited were invited to apply for the required licences and were submitted to regular control. Says Mr. Richardson: "we were careful to act within all reasonableness. After all companies had been left to do as they please for a long time. Solving waste disposal problems can sometimes be a very costly affair. In general companies with an international background reacted quite understandingly", according to Richardson. The smaller locally oriented industries often are more difficult to get in line. Presently several of the latter category are threatened with closing-down. "An unsympathetic measure in times of recession" admits Richardson, "but they ask for it by refusing to apply for a licence in spite of our many attempts to convince them of the necessity thereof." He further explains that the present legislation does not allow for any flexibility in such cases. On the other hand it should now become evident how much political will does indeed exist to get to grips with the pol-



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lution problem. To proceed with closing down these companies is a matter the island government will have to decide upon within weeks. It will also have to decide very soon about a new updated nuisance act, the draft of which was prepared by the department. "But" adds Richardson "the most important issue is whether the government is indeed willing to execute the law. Without that willingness much of our work will have been in vain."

### Shell

Of those companies who showed a fair measure of co-operation Shell is a good example. In 1980 Mr. Verfaillie and Mr. Post van der Burg, within the framework of Dutch technical assistance to the island government, paid two visits to Shell-Curaçao. The multinational's management declared itself willing to allow two environment technicians to inspect the plant. The ensuing three week inspection effort brought to light a number of serious defaults. Some of which could be solved within a reasonable time-limit.



without running into high expensens. Shell's management agreed fully and immediately decided to take the required measures. With regard to more costly improvements like renewing machinery (burners) Shell acknowledged the necessity and vowed to plan replacement for as much as its financial situation would allow it. Says Mr. Verfaillie: "these measures would create a situation in accordance with internationally accepted standards."

Mr. Verfaillie in the meantime assisted the Curaçao department for Environmental Care in drawing up the draft for a new nuisance act, which should in due time (2 years) be made applicable to Shell, which hitherto has been exempted from having to apply for a licence.

### Hope

The non-industrial pollution like lit-



Liberia Peters

tering is both a psychological and organizational problem. A number of proposals to improve the services of the public sanitary department, to motivate the population, to tackle the car-wreck and waste water problem

have been formulated and are partly being executed. Within three years the Department has achieved a position of high credibility because of its efficient approach to the problems it is supposed to solve. Now after its initial period of defining the problems, researching their real impact and drawing up plans of action, the last essential question remains whether the authorities will indeed give the green light for implementation and just as important whether the other governmental services will co-operate efficiently. Seeing the recent and serious efforts of the government to upgrade its services by means of special training courses, Mr. Richardson admits to a glimmer of hope. Says he: "Curaçao has the capacity to achieve much is only we can improve on the way we organize things." ■

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Middle and upper income displays of luxury cars and a new pattern of conspicuous consumption taking place against the background of lay-offs in manufacturing industries, inadequate employment creation to meet the needs of school leavers, increasing frustrations over unemployment, lack of money among the majority classes and the decline in sales and earnings by higglers and small farmers damaged the JLP's political image in the latter half of 1981. My polls showed the JLP as increasingly perceived by voters as unconcerned about the poor and as defending only the rich, the businessmen and the middle class.

Repressed inflation in the housing market under the PNP developed under the JLP into upwardly escalating middle and lower middle class rentals that went up between 50 and 100% in many areas of the capital city. Complaints about landlord exploitation became widespread in the urban metropolitan area of Kingston and St. Andrew. All of these economic factors contributed to the fall in JLP support in the second half of 1981.

By early 1982 optimism about JLP success in leading an economic recovery dissipated and yielded to cautious hope that with time things might get better under a government with credentials for managerial efficiency based mainly on the reputation and image of the prime minister. A majority still felt that the country was better off in early 1982 under the JLP than it was under the earlier PNP regime.

As the impact of the recession in the US increased through the extensive lay-offs of bauxite workers and the cut-back in alumina production, the balance of payments situation got worse and foreign exchange supply declined to precarious levels in spite of massive external borrowing. The lethargic private sector had not responded positively to the challenge to shift the economy into greater export emphasis. The prolonged character of the recession in the US removed any prospect of export led recovery in Jamaica. Even if the local private sector was more responsive, the regional and world climate of demands for imported goods hardly gave the policy much of a chance of success. The much talked about Caribbean Basin Initiative developed by US President Reagan (due mainly to pressures from Jamaica's prime minister lobbying for regional aid, offered very little in the short run. the important proposals for

	PNP	JLP
October 1980	41%	59%
February 1981	38%	62%
(1981 Local Elections)	37%	63%
July 1981	47%	53%
November 1981	46%	54%
May 1982	45%	55%
October 1982	53%	47%

**Table One:** Balance of Strength Between JLP and PNP Among Voters Expressing a Preference in Public Opinion Polls by Author.

**Source:** Stone Polls published in the *Daily Gleaner* and *Star* newspapers by Carl Stone.

Policy Effects & Policies Identified by Public	% of National Sample Expressing Like or Dislike for Policies	
	% Liking Policy	% Disliking Policy
More imported food available	10%	4%
Reduction in crime	4%	—
Financial management	7%	—
Skill training for youth	8%	—
Compulsory education	3%	—
Policies favoring rich	—	6%
Unemployment, lay-offs	—	14%
High prices, low public spending	—	4%
Good not selling	—	6%

**Table two:** Policies of JLP Government that are liked or disliked voters.

**Source:** Sept-Oct Stone Polls published in the *Daily Gleaner*.

	Kingston Metropolitan Area	Other parishes
Unemployment	43%	42%
No money to buy basic needs	31%	12%
High cost of living	21%	10%
Housing	15%	—
Goods not selling	2%	5

**Table Three:** Main Personal and Family Problems Identified by Voters % Mentioning Problems.

**Source:** Stone Polls (Sept-Oct) published in *Daily Gleaner*.

increasing Caribbean trade access to the US market were bitterly fought by US vested interests in the Congress and this aspect of the proposal has yet to get Congressional approval.

### Weakening Political Support

Although the Seaga regime appeared to be performing creditably according to the criteria used by the IMF, the World Bank and international creditors by its economic achievements in the first year, its political base of support had begun to weaken very rapidly. Externally the Seaga government was praised for its remarkable control of prices and the impressive reduction in the cost of living index, as well as for the reduction of the budget deficit ahead of schedule, the conservative monetary policy, fiscal restraint and the opening up of the economy to foreign investment. Although there was much grumbling locally by the end of

1981, a majority of voters still believed in the JLP's technocratic capability and in Seaga's bureaucratic ingenuity and financial expertise. This belief inspired cautious hopes that things would get better. The government, they insisted, needed more time. The memory of the economic disaster of the Manley years was still strong.

Although by then the PNP was seen as more concerned with the poor than the governing JLP and the JLP under Seaga's leadership had come to lose entirely the populist image of the Bustamante period, the JLP remained ahead in popularity at the close of 1981 mainly due to the JLP's superior image as a party able to run things and tackle problems. Two percent economic growth in 1981 and the start up of promising expansion of activity in construction and tourism added to the fact that some foreign investment projects were coming on stream by late 1981, all gave some support to

this cautious optimism that the economy might just be moving towards recovery as the government was insisting.

Developments in 1982 did nothing to confirm those hopes. On the contrary, the build-up of dissatisfactions and disillusionment which started in 1981 accelerated in 1982. This accelerated trend of disaffection spreading across the entire range of the class structure in 1982 achieved the effect by the end of 1982 of isolating the JLP government and developing a wall of credibility gaps between both the electorate and critical interest groups, and the Seaga government.

No progress was made in relieving the very high level of unemployment. Manufacturers and their interest group, the Jamaica Manufacturers Association, shifted from doubts and misgivings about JLP policies in 1981 to open criticism of the government in 1982. Fears were being expressed in some quarters that the government was catering too much to foreign investors. Although a number of policy committees representing private sector interests were set up to enable an active private sector role in policy formulation, relations with the prime minister deteriorated as some private sector members accused him of not listening to their opinions nor having much regard for their point of view. There was a constant echo in private sector circles that the Seaga government was not consulting them enough and that they were constantly faced by new policy announcements through the mass media, which they had been given no opportunity to respond to or comment on in the policy formulation stage.

As the foreign exchange situation got tighter in 1982 bottlenecks and corrupt practices plagued the issuing of trade licenses. As a result the Industry and Commerce Ministry run by a JLP minister (who is past president of the Jamaica Manufacturers Association) came under heavy private sector criticism. As the balance of payments problem forced the government to tighten up on consumer imports, sharp conflicts developed between the ministry and importers. Some interests used the power of cash to bribe their way into import licenses and this added further to the controversies surrounding this ministry's administration. This was unfortunate for the JLP as the Industry and Commerce Ministry was expected to be the center

of close collaborative private sector public sector linkages. Instead it became a battlefield of frustrations, accusations and counter-accusations and frequent quarrels between the government and the private sector. Although the private sector continued to support the government's overall ideological position and general policy goals, sharp disagreements over issues of strategy, tactics and power relations reduced private sector enthusiasm for the JLP into lukewarm support weakened by increasing distrust of the government's intentions.

Drastic cut-backs in bauxite production and the lay-off of workers due to the US recession jolted the Jamaican economy in 1982 as bauxite is the main source of foreign exchange earnings and a major source of government revenue. The impact of this blow was cushioned by support for the Seaga administration by the Reagan government in the US. The US has agreed to purchase quantities of bauxite for stockpiling purposes in order to minimize income loss to Jamaica.

Table two sets out the reaction by the Jamaican public to the policies of the JLP government as recorded in the author's September-October national public opinion polls. The increased supply of food due to the import policies, the reduction of crime, improved financial management, a youth job training program and compulsory education represent the main areas of progress the electorate perceived in JLP policies to date. On the negative side, the JLP government attracts most blame for unemployment and lay-offs, policies that are seen as favoring the rich rather than the poor, its fiscal and monetary policies and the perceived impact on declining sales among the petty commodity sector (artisans, higglers, shopkeepers, small farmers etc.) who make up some 42% of the labor force.

When asked specifically about the major problems families and individuals were facing, the answers given by the electorate in the September-October Stone Poll revealed the great impact of high unemployment, the tight monetary policies and gap between household income and the cost of living. Respondents complained mainly about joblessness, shortage of cash and the cost of living, housing problems in urban areas and the problem of the low turn over of sales of goods in the local market. These responses are outlined in Table Three.

Whereas all earlier polls had shown the Jamaican voters to be accepting the idea that the situation in the country had gotten better since the 1980 elections, this was reversed in the September-October poll. In all earlier polls at least 51% of the voters interviewed agreed that conditions in the country had gotten better since the change in government. In this most recent poll only 34% agreed with that view. Clearly, the Jamaican people are beginning to become impatient with the JLP government and are beginning to lose hope that any real improvements in the quality of life will be achieved under the JLP regime.

Although this most recent poll shows that a majority of citizens interested in voting would vote for the opposition PNP rather than the governing JLP, it is interesting that Table Four shows the degree to which the prospects of a PNP government do not excite beliefs that conditions in the country would get any better. Indeed slightly more voters believe things have gotten better under the JLP than persons who believe things would get better if the PNP were voted back into power. Faith in the JLP delivering on the electoral promises is beginning to falter and weaken but the PNP hardly inspires much confidence as regards economic management.

Given a choice between two parties that are unlikely to solve the country's basic problems, preference is beginning to favor the party with the more populist leader and populist ideology. Unless the economic situation improves considerably or the government is able to massively increase public spending, the PNP is likely to consolidate and improve on its lead over the JLP in the next two to three years.

The decline in JLP support has been influenced by more than the failure to solve basic economic problems. The rate of conversion of economic and social difficulties into political disaffection is greatly influenced by the political style of governing parties in Jamaica and the image they project to the electorate. The JLP has governed in a manner that is in sharp contrast to the PNP government led by Manley. The electorate had become accustomed to a political style under the PNP regime that was populist, mobilizational and involving extensive political communication and leadership contact with citizens at the community level. The JLP regime has maintained a low profile, bureaucratic and

non-mobilizational style that has insulated the leadership from grass roots contact. Government rather than politics is being emphasized, while the reverse was the case under the PNP. Michael Manley's flamboyant and charismatic leadership enabled the PNP to retain majority support for a considerable period after polls indicated that the voters had become convinced that conditions in the country were getting worse and not better. Indeed, immediately prior to the PNP's 57% popular vote victory in December 1976, my polls (which accurately predicted the exact margin of victory) showed that 62% of the voters were convinced that conditions in Jamaica were getting worse. With the JLP, the political disaffection has come much faster because of the absence of a populist political style to keep hope for improvements and faith in the party leadership alive. The PNP had maintained a strong grass roots party and a high profile party machine geared up to do propaganda work throughout its term of office. The JLP has virtually placed its party machine in hibernation while it tackles the complex problems of government. The consequent narrowing or shrinking of the vital channels of political communication between government and grass roots support at the community level has accelerated JLP loss of support since 1980.

### An Image Problem

The JLP also has an image problem. Its leader was favored in 1980 over Manley on the basis that as a highly reputed financial wizard he could straighten out and solve many of the complex economic and financial problems which had confounded the charismatic Manley. Seaga and the JLP therefore have to show more tangible evidence of a positive policy performance than does the PNP. The problems associated with the US and world recession hardly allow much room to show strong track record of achievements. Most of the areas of improved financial and economic administration are not visible to the average voter.

The JLP's biggest political asset is its superior image as a party which can get things done. The JLP therefore has to demonstrate a track record of positive achievements evident to the voters if it is to be returned to power in the next elections. To date, great efforts have been made to stimulate economic recovery but the efforts have been stalled and slowed down as regards effects and positive gains by the

crippling impact of the US recession.

The character of the Jamaican electorate has undergone some basic changes over the last ten years. These changes have increased the volatility and instability of vote patterns. As a result of these changes, the comfortable traditional assumption that all parties would get at least two terms in office from a patient electorate stabilized by strong party loyalties and a small proportion of floating voters can no longer be taken for granted.

The politicization of the electorate in the 1970's, the development of an highly integrated national system of mass communication and transportation and increasing urbanization, have all broken down the traditional barriers protecting strong local party allegiances. Agendas of national political issues have superceded local issues and local loyalties in voting patterns. The country now behaves as if it were a single constituency. The traditional safety net of an appreciable number of safe seats that parties could always count on winning has been destroyed.

The effect of a prolonged period of unemployment levels of over 20%, steady declines in living standards since the early 1970s and failure of the political directorate to deal with basic economic and social problems has been a gradual growth of cynicism and lack of faith in the middle class political leaders who run the PNP and the JLP. This drop in confidence and trust in political parties and their leaders has resulted in an increase in non-partisan or independent voters and in the tendency for voters to abandon party loyalties and to vote on issues. The JLP government is especially vulnerable to this increasingly unstable pattern of party loyalty and voting. Many of the

voters who made up the JLP 59% majority in the 1980 elections were traditional PNP voters, of whom many have now withdrawn support for the JLP.

The PNP under Manley's leadership has been trying to refurbish its political image. My polls showed that over 70% of the electorate in early 1981 was critical of the PNP's links with local communists. The polls were consistently showing that slightly more than two-thirds of the electorate and a majority of PNP voters were hostile to communism. The PNP has therefore announced a formal break with the local minor communist party, the Workers Party of Jamaica. The September-October poll found that 71% of the electorate supported the PNP move; 47% thought the PNP move was genuine while 37% did not agree. As much as 63% expressed the view that communist parties should be banned in Jamaica. The PNP move to shift its political location from left to center and attempts by the leadership to return to the moderate image of the pre-1970s PNP party is likely to aid the political recovery of the PNP.

The September-October polls points to a trend favoring the opposition PNP in the next Jamaican parliamentary elections. But support for the PNP is still tentative. If the JLP is fortunate in experiencing the effects of a recovery of the US economy before the end of 1984 and if that party is able to increase public spending and visible social programs, the JLP has a reasonable chance of being returned to power with a smaller majority. If, however, the economic slide continues, the JLP will be the first party to get only one term in office, the PNP is likely to win by a landslide in those circumstances. ■



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# Rich harvest at rice development project

## Co-funded by the Netherlands

Last February twenty-two proud Jamaican farmers presented samples of their first rice harvest to the Honourable Minister of Agriculture, Mr. Percyval Broderick. Also present at the occasion were a number of Dutch development experts and a staff member of an Antillean accountancy firm. The farmers, both men and women, had every reason to be proud. The quality of their crop was the highest ever attained on the island.

The Meylersfield Development Project was conceived as the result of a visit by a Dutch Technical Assistance mission in 1975 researching the feasibility of drainage of swamp areas on the island for agricultural use. A location in West Jamaica (see map) was chosen to start a pilot project of irrigated rice



## Assisted by Antillean accountancy firm

ing. Initially farmers are allotted three acres each. The eventual plot size for successful farmers will be decided on at a later stage, when more information on the natural, technical and human constraints and possibilities are known. Regarding this last aspect it is interesting to note that farmers are contracted on a part-time basis. Experience elsewhere has taught that re-orienting small land holders entirely usually leads to disaster. The policy followed at the Meylersfield Project appears indeed to be successful. Motivation among the first 25 farmers is high, as may be concluded from the fact that all of them agreed on their own initiative to decline advance payment (\$ 60 per week) during training and rather await the result of the first crop! Minimum



development for small scale farmers. The first phase of the project was aimed at draining and providing irrigation infrastructure for two polders of respectively 345 and 1200 acres. In August 1982 implementation the project was started. By January 1983 the 345 acres of the West Polder had been flooded for land preparation and 180 acres were by then already yielding a first harvest. An achievement which went well beyond the original proposal, envisaging the cultivation of 150 acres (2 crops) by the end of 1983!

The project, which has been made possible by substantial Dutch development aid and technical assistance, has three essential 'pilot' components: training, production and applied research.

During the heydays of the sugar culture knowledge of the original rice cultivation on the island almost completely disappeared. Rice consumption in Jamaica today is about 60,000 ton p.a. most of which has to be imported. Reviving the cultivation therefore may, if succesful, be of significant economic importance.

Interest among local farmers is considerable. The number of applications to partake in the project far exceeds the available openings. This has led to a process of selection both before and during train-

returns per farmer at the end of this first harvest is estimated at \$ 1,434.—.

Apart from supplying over DFL. 4 million towards the costs of the project, the Dutch aid consists of the transfer of technical know-how. This applies in particular to the aspects of irrigation, maintenance and cultivation methods. An Antillean accountancy firm has been invited as from August 1982 to assist in setting up the administration as well as training local people to take care of the same. All foreign experts by now have a Jamaican counterpart, who should be able to take over when the initial stage of the project is finished in 1984.

The first results indicating the viability of the project plans have been drawn up for the establishment of two crops of rice and a short-term land crop in between for the next financial year. Development of the much larger East polder will also get underway during the coming months.

Commented the afore mentioned accountant from the Antilles: "to share in this project is an exhilarating experience. The enthusiasm of the local farmers in particular is inspiring". □

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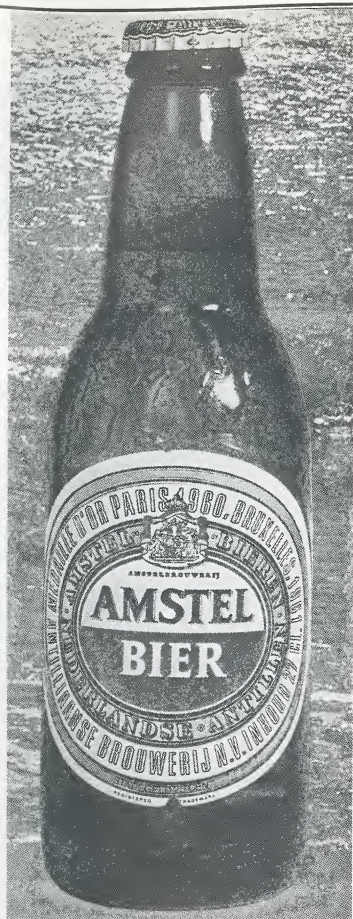
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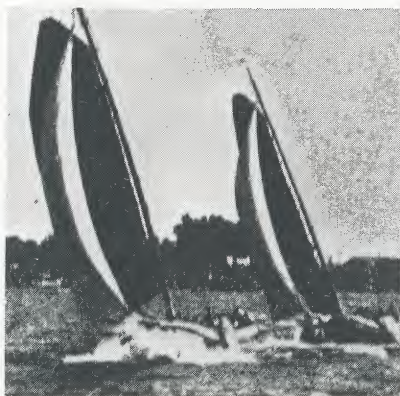
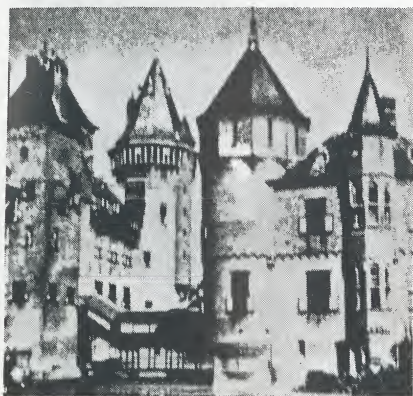
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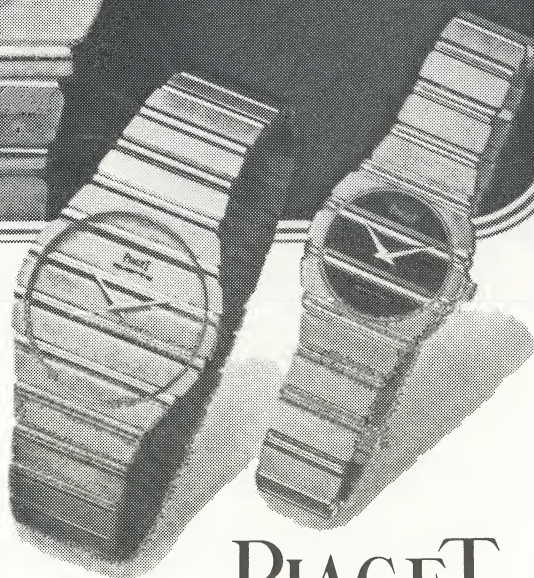
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